Government of Canada Gouvernement du Canada

Receiver General for Canada
Hon. Jean-Jacques Blais, M.P., P.C.

public accounts of canada

1982

Volume III

Financial Statements of Crown Corporations

Canada

© Minister of Supply and Services Canada 1982

Available in Canada through

Authorized Bookstore Agents
and other bookstores

or by mail from

Canadian Government Publishing Centre
Supply and Services Canada
Ottawa, Canada, K1A 0S9

Catalogue No. P 51-1/1982-3E
ISBN 0-660-11195-0

Canada: $5.50
Other countries: $6.60

Price subject to change without notice

INTRODUCTION TO THE PUBLIC ACCOUNTS

Nature of the Public Accounts

The Public Accounts is the report of the Government of Canada prepared each fiscal year by the Receiver General as required by Section 55 of the Financial Administration Act.

The report covers the fiscal year of the Government, which ends on March 31, and is prepared from data contained in the accounts of Canada and from more detailed records maintained in departments and agencies. The accounts of Canada is the centralized record of the Government's financial transactions maintained by the Receiver General in which the transactions of all departments and agencies are summarized. Each department is responsible for agreeing its accounts to the control accounts of the Receiver General, and maintains detailed records of the transactions in those accounts.

The report covers the financial transactions of the Government during the year. In certain cases, parliamentary authority to undertake transactions was provided by legislation approved in earlier years.

Format of the Public Accounts

The Public Accounts is produced in three volumes.

Volume I presents a summary and analysis of the financial transactions of the Government while **Volume II** presents the financial operations of the Government, segregated by department and associated agencies, as well as additional information and analysis of selected types of payments.

Volume III contains the financial statements of those Crown corporations which are permitted by legislation to keep their own accounts. These are Schedules C and D (agency and proprietary) corporations, as well as the Bank of Canada and The Canadian Wheat Board which, although not designated as Crown corporations, act as agents of Her Majesty.

Summary Tables

Table 1 summarizes the assets, liabilities and equity of Crown corporations at their respective year-ends. Table 2 summarizes the major balance sheet items for both agent and other Crown corporations as at March 31, 1982. Table 3 contains a summary of the financial assistance paid from budgetary appropriations during the current year for both agent and other Crown corporations.

Government of Canada Summary of the Financial Position of Agent and Other Crown Corporations at their Latest Year-Ends

Table 1 summarizes the assets, liabilities and equity sections of Crown corporations at their respective year-ends. Their financial statements are included in this volume. As Crown corporations have various year-ends, these are also disclosed.

TABLE 1

GOVERNMENT OF CANADA SUMMARY OF THE FINANCIAL POSITION OF AGENT AND OTHER CROWN CORPORATIONS AT THEIR LATEST YEAR-ENDS

(in thousands of dollars)

	Year-end(1)	Assets	Borrowings and other liabilities	Shareholder's equity	Total liabilities and shareholder's equity
Agent Crown corporations(2)					
Atomic Energy of Canada Limited	March 31	1,330,986	1,181,620	149,366	1,330,986
Canada Deposit Insurance Corporation	December 31	232,552	6,883	225,669	232,552
Canada Mortgage and Housing Corporation	December 31	10,797,144	10,767,144	30,000	10,797,144
Canadian Arsenals Limited	March 31	72,471	59,098	13,373	72,471
Canadian Broadcasting Corporation	March 31	566,052	232,854	333,198	566,052
Canadian Commercial Corporation	March 31	277,750	252,586	25,164	277,750
Canadian Dairy Commission	July 31	240,546	231,142	9,404	240,546
Canadian Film Development Corporation	March 31	4,617	4,094	523	4,617
Canadian Livestock Feed Board	March 31	2,792	2,129	663	2,792
Canadian National (West Indies) Steamships Limited	December 31	567	338	229	567
Canadian Patents and Development Limited	March 31	1,675	586	1,089	1,675
Canadian Saltfish Corporation	March 31	12,555	7,163	5,392	12,555
Canadian Wheat Board, The	July 31	3,720,475	3,194,019	526,456	3,720,475
Cape Breton Development Corporation	March 31	302,317	30,357	271,960	302,317
Crown Assets Disposal Corporation	March 31	803	615	188	803
Defence Construction (1951) Limited	March 31	909	3,849	–2,940	909
Eldorado Nuclear Limited	December 31	618,377	365,914	252,463	618,377
Export Development Corporation	December 31	4,269,750	3,734,730	535,020	4,269,750
Farm Credit Corporation	March 31	3,853,897	3,700,177	153,720	3,853,897
Federal Business Development Bank	March 31	1,957,963	1,794,506	163,457	1,957,963
Freshwater Fish Marketing Corporation	April 30	20,901	20,147	754	20,901
Jacques Cartier and Champlain Bridges Incorporated, The	March 31	29,930	112,874	–82,944	29,930
Loto Canada Inc.	March 31(3)				
National Battlefields Commission	March 31	2,811	159	2,652	2,811
National Capital Commission	March 31	391,916	78,561	313,355	391,916
National Harbours Board	December 31	682,255	575,939	106,316	682,255
Northern Canada Power Commission	March 31	212,331	216,514	–4,183	212,331
Northern Transportation Company Limited	December 31	75,025	44,860	30,165	75,025
Petro-Canada	December 31	6,612,533	4,972,089	1,640,444	6,612,533
Royal Canadian Mint	December 31	72,171	71,171	1,000	72,171
St. Lawrence Seaway Authority, The	March 31	666,556	228,527	438,029	666,556
Seaway International Bridge Corporation, Ltd., The	December 31	323	315	8	323
Teleglobe Canada	March 31	399,424	160,125	239,299	399,424
Uranium Canada, Limited	December 31	(4)		(4)	(4)
		37,430,374	*32,051,085*	*5,379,289*	*37,430,374*
Other Crown corporations					
Air Canada	December 31	1,869,928	1,341,773	528,155	1,869,928
Atlantic Pilotage Authority	December 31	1,682	1,724	–42	1,682
Bank of Canada	December 31	19,153,937	19,123,937	30,000	19,153,937
Canadian National Railway System	December 31	6,140,167	3,034,127	3,106,040	6,140,167
Great Lakes Pilotage Authority, Ltd.	December 31	2,907	5,003	–2,096	2,907
Laurentian Pilotage Authority	December 31	5,118	4,066	1,052	5,118

TABLE 1

GOVERNMENT OF CANADA SUMMARY OF THE FINANCIAL POSITION OF AGENT AND OTHER CROWN CORPORATIONS AT THEIR LATEST YEAR-ENDS—*Concluded*

(in thousands of dollars)

	Year-end(1)	Assets	Borrowings and other liabilities	Shareholder's equity	Total liabilities and shareholder's equity
Pacific Pilotage Authority	December 31	2,834	1,785	1,049	2,834
VIA Rail Canada Inc.	December 31	373,104	93,841	279,263	373,104
		27,549,677	*23,606,256*	*3,943,421*	*27,549,677*
Total		64,980,051	55,657,341	9,322,710	64,980,051

(1) April, July and December year-ends relate to 1981 whereas March year-ends relate to 1982.

(2) The Post Office Department was converted to the Canada Post Corporation by an act of Parliament on October 16, 1981. There are certain valuations to be determined for major assets turned over to the Corporation. In addition, the transfer of titles to the land and buildings turned over to the Corporation by the Government has not been completed; therefore, no figures are being reported in this table.

Canada Lands Company (Mirabel) Limited, Canada Lands Company (Le Vieux-Port de Montréal) Limited and Canada Lands Company (Vieux-Port de Québec) Inc. became Schedule "C" Crown corporations on March 26, 1982. Their financial statements as well as those of the parent company, Canada Lands Company Limited, were not available at date of printing and are not included in this table.

(3) The audited financial statements of Loto Canada Inc. for the year ended March 31, 1982 were not available at date of printing.

(4) Less than $500.

Government of Canada Financial Interest in Agent and Other Crown Corporations

Table 2 summarizes the major balance sheet items for both agent and other Crown corporations as at March 31, 1982.

The assets and liabilities of agent Crown corporations are the assets and liabilities of the Government, due to the agency relationship. However, in accordance with the accounting policies of the Government, the accounts of agent Crown corporations are not consolidated with those of the Government, and only certain financial transactions between the Government and its Crown corporations, are recorded in the accounts of Canada.

The table displays "Assets" less "Borrowings and other liabilities" to arrive at "Net assets".

Balances which represent transactions with the Government, and which are recorded in the accounts of Canada include: long term obligations to the Government, share capital and contributed surplus as well as claims against the Government of Canada. Such balances are described in this table as "Financial interest recorded by the Government".

"Unrecorded financial interest" represents retained earnings of agent and other Crown corporations adjusted for items which had previously been included in their asset and liability accounts. These adjustments arise from timing differences in the recording of transactions between the Crown corporations and the Government. Crown corporations record amounts payable to or receivable from Government on an accrual basis for such items as income taxes. The accounts of Canada do not include such amounts until payment is either received or made. Amounts which represent transactions with the Government and which are not recorded in the accounts of Canada are adjusted and are reported under "Unrecorded financial interest". They include: grants receivable, current or deferred income taxes receivable or payable, capitalized or accrued interest payable, sundry accounts payable, long term capitalized leases payable and prepaid expenses related to Canada. "Unrecorded financial interest" adjustments represent amounts which will be eventually received or disbursed by Canada.

Other information presented in this table includes "Change in financial interest from previous year" which identifies the increase or decrease since April 1, 1981. "Financial assistance under budgetary appropriations" summarizes the assistance received by these entities during 1981-82. Details of such assistance are included in Table 3.

Amounts listed in this table reflect information regarding Crown corporations as at March 31, 1982. For corporations with financial year-ends other than March 31, unaudited financial information is included.

TABLE 2

GOVERNMENT OF CANADA FINANCIAL INTEREST IN AGENT AND OTHER CROWN CORPORATIONS
AS AT MARCH 31, 1982
(in thousands of dollars)

					Financial interest						
		Borrowings and other liabilities			Recorded by the Government						
	Assets	Borrowings from other than Government	All other liabilities	Net assets	Obligations to the Government	Share capital and contributed surplus	Claims against the Government	Unrecorded financial interest	Total financial interest	Change in financial interest from previous year	Financial assistance under budgetary appropriations
Agent Crown corporations(1)											
Atomic Energy of Canada Limited	1,486,799	61,472	306,844	1,118,483	709,318	164,159	22,136	267,142	1 ,118,483	109,123	283,934
Canada Deposit Insurance Corporation	79,432		638	78,794	200,000		354,350	233,144	78,794(2)	46,598	
Canada Mortgage and Housing Corporation	10,835,925		146,234	10,689,691	10,363,158	25,000	31,509	333,042	10,689,691(3)	89,447	968,654
Canadian Arsenals Limited	47,457		11,595	35,862	3,500		7,196	39,558	35,862	16,546	34
Canadian Broadcasting Corporation	565,438		189,273	376,165	33,000		550	343,715	376,165	56,303	664,619
Canadian Commercial Corporation	275,910		249,121	26,789		10,000	1,840	18,629	26,789	9,270	18,717
Canadian Dairy Commission	132,986		77,175	55,811	79,999		51,228	27,040	55,811	54,011	4,254
Canadian Film Development Corporation	2,003		93	1,910	9,699			−7,789	1,910	−861	1,138
Canadian Livestock Feed Board	1,052		2,129	−1,077			1,740	663	−1,077	1,235	17,504
Canadian National (West Indies) Steamships Limited	472		14	458	324	1	95	228	458(4)		
Canadian Patents and Development Limited	1,300		494	806		296	356	866	806	258	350
Canadian Saltfish Corporation	11,567		4,725	6,842	1,731		988	6,099	6,842	849	
Canadian Wheat Board, The	3,192,948	2,175,326	1,020,310	−2,688			3,118	430	−2,688	351	
Cape Breton Development Corporation	284,318		30,357	253,961			17,999	271,960	253,961	92,745	133,015
Crown Assets Disposal Corporation	6,824		778	6,046			203	6,249	6,046	−2,112	
Defence Construction (1951) Limited	872		3,402	−2,530			37	−2,493	−2,530	107	10,372
Eldorado Nuclear Limited	643,006	263,482	99,268	280,256	14,700	308,247	23	−42,668	280,256(5)	−180,754	
Export Development Corporation	5,061,385	3,155,153	101,414	1,804,818	1,169,640	377,000	26,853	285,031	1,804,818(6)	184,739	36,000
Farm Credit Corporation	3,853,882		5,685	3,848,197	3,584,257	142,848	15	121,107	3,848,197	370,564	
Federal Business Development Bank	1,951,450	939,727	69,834	941,889	763,000	268,000	6,513	−82,598	941,889	−312,314	17,628
Freshwater Fish Marketing Corporation	26,114		9,315	16,799	18,328			−1,529	16,799	4,978	
Jacques Cartier and Champlain Bridges Incorporated, The	29,929		1,817	28,112	59,753		1	−31,640	28,112	−1,375	2,371
Loto Canada Inc.	12,485		81	12,404		(10)	690	13,094	12,404	1,294	
National Battlefields Commission	2,781		159	2,622			30	2,652	2,622	94	1,413
National Capital Commission	391,551		36,245	355,306	40,874		365	314,797	355,306	19,181	97,774
National Harbours Board	503,822	21,594	57,356	424,872	357,979		211,057	277,950	424,872	38,350	39,239
Northern Canada Power Commission	212,331		10,165	202,166	183,652			18,514	202,166	4,683	1,900
Northern Transportation Company Limited	71,899	1,211	5,969	64,719	36,463	24,900	1,024	4,380	64,719	4,268	642
Petro-Canada	6,751,482	634,374	2,984,216	3,132,892		1,572,772	848	1,560,968	3,132,892	1,090,408	
Royal Canadian Mint	62,558		8,516	54,042	18,336		6,242	41,948	54,042	−12,071	
St. Lawrence Seaway Authority, The	624,279		18,452	605,827		624,950	42,193	23,070	605,827(7)	−89	
Seaway International Bridge Corporation, Ltd., The	301	8	258	35				35	35	25	
Teleglobe Canada	373,228		113,313	259,915	12,386		26,196	273,725	259,915	33,692	
Uranium Canada, Limited	(10)			(10)		(10)			(10)		55
	37,497,786	*7,252,347*	*5,565,245*	*24,680,194*	*17,660,097*	*3,518,173*	*815,395*	*4,317,319*	*24,680,194*	*1,719,543*	*2,299,613*

TABLE 2

GOVERNMENT OF CANADA FINANCIAL INTEREST IN AGENT AND OTHER CROWN CORPORATIONS
AS AT MARCH 31, 1982—*Concluded*
(in thousands of dollars)

		Borrowings and other liabilities			Financial interest						
					Recorded by the Government						
	Assets	Borrowings from other than Government	All other liabilities	Net assets	Obligations to the Government	Share capital and contributed surplus	Claims against the Government	Unrecorded financial interest	Total financial interest	Change in financial interest from previous year	Financial assistance under budgetary appropriations
Other Crown corporations											
Air Canada	1,815,743	294,380	634,300	887,063	278,492	329,009	96	279,658	887,063	–3,130	
Atlantic Pilotage Authority	1,507		1,106	401			13	414	401	–245	
Bank of Canada	1,823,861		17,409,948	–15,586,087		5,920	15,662,455	70,448	–15,586,087(8)	–587,901	
Canadian National Railway System	6,131,146	1,693,418	1,219,213	3,218,515	249,901	2,503,378	40,482	505,718	3,218,515(9)	24,507	157,979
Great Lakes Pilotage Authority, Ltd.	1,116		2,856	–1,740				–1,740	–1,740	–234	639
Laurentian Pilotage Authority	3,078		2,413	665				665	665	475	
Pacific Pilotage Authority	2,771		1,483	1,288				1,288	1,288	–22	
VIA Rail Canada Inc.	374,900		70,200	304,700		9,300	50,600	346,000	304,700	83,850	540,617
	10,154,122	*1,987,798*	*19,341,519*	*–11,175,195*	*528,393*	*2,847,607*	*15,753,646*	*1,202,451*	*–11,175,195*	*–482,700*	*699,235*
Total	47,651,908	9,240,145	24,906,764	13,504,999	18,188,490	6,365,780	16,569,041	5,519,770	13,504,999	1,236,843	2,998,848

---

(1) The Post Office Department was converted to the Canada Post Corporation by an act of Parliament on October 16, 1981. There are certain valuations to be determined for major assets turned over to the Corporation. In addition, the transfer of titles to the land and buildings turned over to the Corporation by the Government has not been completed; therefore, no figures are being reported in this table
Canada Lands Company (Mirabel) Limited, Canada Lands Company (Le Vieux-Port de Montréal) Limited and Canada Lands Company (Vieux-Port de Québec) Inc. became Schedule "C" Crown corporations on March 26, 1982. Their financial statements as well as those of the parent company, Canada Lands Company Limited, were not available at date of printing and are not included in this table.

(2) Canada Deposit Insurance Corporation—Unrecorded financial interest consists of premiums credited to the Deposit Insurance Fund plus adjusted accumulated net earnings. The deposits with member institutions insured by the Corporation totalled $109 billion as at April 30, 1981.

(3) Canada Mortgage and Housing Corporation—Unrecorded financial interest includes $216,102,000 for balances in insurance and guarantee funds. The estimated amount of insurance in force as at March 31, 1982 was $27.2 billion.

(4) Canadian National (West Indies) Steamships Limited—The assets of the Corporation include a receivable of $470,400 due since 1963 from Cuban interests.

(5) Eldorado Nuclear Limited—Recorded share capital includes a premium of $1,660,797 representing the capital deficit (after adjustments) shown in the balance sheet of Eldorado Mining and Refining Limited as at December 31, 1944 but not reflected in subsequent balance sheets of Eldorado Mining and Refining (1944) Limited. Consequently, unrecorded financial interest has been reduced by $1,660,797.

(6) Export Development Corporation—Obligations recorded by the Government include loans administered by the Export Development Corporation but receivable through the Corporation from foreign governments and foreign companies.

(7) The St. Lawrence Seaway Authority—Total financial interest takes into account the capital stock of, and investment in, Great Lakes Pilotage Authority, Ltd., The Jacques Cartier and Champlain Bridges Incorporated and The Seaway International Bridge, Ltd. at a cost of $1,500, $100 and $8,000 respectively. Great Lakes Pilotage Authority, Ltd., The Jacques Cartier and Champlain Bridges Incorporated and the Seaway International Bridge, Ltd. are wholly-owned subsidiaries.

(8) Bank of Canada—Recorded share capital includes $920,000 representing a premium paid in respect of the acquisition in 1938 of shares held by the public. Consequently, unrecorded financial interest has been reduced by $920,000.

(9) Canadian National Railway System—Recorded share capital includes a premium of $19,452,732 representing the excess of previous year's depreciation not charged to CNR's retained earnings over the Government's investments in Canadian Government Railways and Canadian National Railways Company. These investments were charged to budgetary expenditure by the Government of Canada and credited to shareholder's equity by CNR. Consequently, after the capital revision of Canadian National Railways, the recorded capital stock of the Corporation is $19,452,732 less than the recorded investment of the Government. Accordingly, unrecorded financial interest is being reduced by this deficiency.

(10) Less than $500.

Financial Assistance under Budgetary Appropriations

Table 3 summarizes financial assistance under budgetary appropriations for both agent and other Crown corporations. It should be read in conjunction with Table 2. The purpose for which payments have been made under budgetary appropriations is segregated between: (*a*) amounts to cover operating deficits and (*b*) amounts for capital expenditures.

All amounts reported represent charges to appropriations authorized by Parliament during 1981-82.

TABLE 3

FINANCIAL ASSISTANCE UNDER BUDGETARY APPROPRIATIONS FOR THE YEAR ENDED MARCH 31, 1982

	Financial assistance under budgetary appropriations(1)	Purpose	
		Operations	Capital expenditures
	$	$	$
Agent Crown corporations(2)			
Atomic Energy of Canada Limited	283,934,531	255,227,531	28,707,000
Canada Mortgage and Housing Corporation	968,654,327	968,654,327	
Canadian Arsenals Limited	34,500		34,500
Canadian Broadcasting Corporation	664,618,680	604,618,680	60,000,000
Canadian Commercial Corporation	18,716,999	18,716,999	
Canadian Dairy Commission	4,253,634	4,105,145	148,489
Canadian Film Development Corporation	1,137,771	1,137,771	
Canadian Livestock Feed Board	17,503,573	17,497,404	6,169
Canadian Patents and Development Limited	350,000	350,000	
Cape Breton Development Corporation	133,015,236	34,542,236	98,473,000
Defence Construction (1951) Limited	10,372,000		10,372,000
Export Development Corporation	36,000,000	36,000,000	
Federal Business Development Bank	17,627,728	17,627,728	
Jacques Cartier and Champlain Bridges Incorporated, The	2,371,000	2,371,000	
National Battlefields Commission	1,413,000	1,413,000	
National Capital Commission	97,774,370	47,484,370	50,290,000
National Harbours Board	39,238,910	3,334,290	35,904,620
Northern Canada Power Commission	1,900,000	1,900,000	
Northern Transportation Company Limited	641,937	641,937	
Uranium Canada, Limited	55,205	55,205	
	2,299,613,401	*2,015,677,623*	*283,935,778*
Other Crown corporations			
Canadian National Railway System	157,978,658	157,693,773	284,885
Great Lakes Pilotage Authority, Ltd.	638,929	638,929	
VIA Rail Canada Inc.	540,617,652	540,617,652	
	699,235,239	*698,950,354*	*284,885*
Total	2,998,848,640	2,714,627,977	284,220,663

(1) Excludes grants and contributions paid to Crown corporations where they qualify as members of a general class of recipients.

(2) The Post Office Department was converted to the Canada Post Corporation by an act of Parliament on October 16, 1981. Financial assistance under budgetary appropriations used by the Corporation for the period October 16, 1981 to March 31, 1982 totalled $243,441,140. This was net of revenues of $814,939,774.

TABLE OF CONTENTS

Financial Statements of Crown Corporations

	Reporting through	*Page*
Air Canada	Minister of Transport	10
Atlantic Pilotage Authority	Minister of Transport	14
Atomic Energy of Canada Limited	Minister of Energy, Mines and Resources	17
Bank of Canada	Minister of Finance	22
Canada Deposit Insurance Corporation	Minister of Finance	24
Canada Lands Company Limited and its subsidiaries	Minister of Public Works	28
Canada Mortgage and Housing Corporation	Minister of Public Works	29
Canada Post Corporation	Minister responsible	38
Canadian Arsenals Limited	Minister of Supply and Services	39
Canadian Broadcasting Corporation	Minister of Communications	40
Canadian Commercial Corporation	Secretary of State for External Affairs	41
Canadian Dairy Commission	Minister of Agriculture	47
Canadian Film Development Corporation	Minister of Communications	51
Canadian Livestock Feed Board	Minister of Agriculture	54
Canadian National Railway System	Minister of Transport	57
Canadian National (West Indies) Steamships Ltd.	Minister of Transport	66
Canadian Patents and Development Limited	Minister of Industry, Trade and Commerce	67
Canadian Saltfish Corporation	Minister of Fisheries and Oceans	70
Canadian Wheat Board, The	Minister of State responsible	74
Cape Breton Development Corporation	Minister of Regional Economic Expansion	81
Crown Assets Disposal Corporation	Minister of Supply and Services	87
Defence Construction (1951) Limited	Minister of National Defence	95
Eldorado Nuclear Limited*	Minister of Energy, Mines and Resources	98
Export Development Corporation	Secretary of State for External Affairs	104
Farm Credit Corporation	Minister of Agriculture	110
Federal Business Development Bank	Minister of Industry, Trade and Commerce	115
Freshwater Fish Marketing Corporation	Minister of Fisheries and Oceans	119
Great Lakes Pilotage Authority, Ltd.	Minister of Transport	122
Jacques Cartier and Champlain Bridges Incorporated, The	Minister of Transport	125
Laurentian Pilotage Authority	Minister of Transport	128
Loto Canada Inc.	Secretary of State of Canada and Minister responsible for Fitness and Amateur Sport	131
National Battlefields Commission	Minister of Environment	134
National Capital Commission	Minister of Public Works	137
National Harbours Board	Minister of Transport	141
Northern Canada Power Commission	Minister of Indian Affairs and Northern Development	145
Northern Transportation Company Limited	Minister of Transport	149
Pacific Pilotage Authority	Minister of Transport	153
Petro-Canada	Minister of Energy, Mines and Resources	156
Royal Canadian Mint	Minister of Supply and Services	164
St. Lawrence Seaway Authority, The	Minister of Transport	172
Seaway International Bridge Corporation, Ltd., The	Minister of Transport	176
Teleglobe Canada	Minister of Communications	178
Uranium Canada, Limited	Minister of Energy, Mines and Resources	183
VIA Rail Canada Inc.	Minister of Transport	185

---

* Includes Eldorado Aviation Limited.

AIR CANADA

AUDITORS' REPORT

TO THE HONOURABLE
THE MINISTER OF TRANSPORT
AND
TO THE BOARD OF DIRECTORS OF AIR CANADA

We have examined the consolidated balance sheet of Air Canada as at December 31, 1981 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report that, in our opinion, proper books of account have been kept by the Corporation and the accompanying financial statements are in agreement with the books of account.

CLARKSON GORDON
Chartered Accountants

Montreal, Quebec
February 15, 1982

CONSOLIDATED BALANCE SHEET DECEMBER 31
(in thousands of dollars)

ASSETS	1981	1980
Current		
Cash and short-term investments	97,914	262,292
Accounts receivable	196,309	200,320
Spare parts, materials and supplies	84,278	73,680
Prepaid expenses	3,228	2,695
Deferred income taxes	29,670	27,333
	411,399	566,320
Property and equipment (Note 3)	1,254,068	896,075
Flight equipment under capital leases (Note 4)	156,792	184,058
Investment in other companies (Note 5)	44,582	40,280
Long-term receivable and deferred charges	3,087	1,578
	1,869,928	1,688,311

LIABILITIES	1981	1980
Current		
Accounts payable and accrued liabilities	236,598	209,366
Advance ticket sales	161,991	150,780
Current portion of long-term debt and capital lease obligations	66,945	55,783
	465,534	415,929
Long-term debt (Note 6)	470,100	374,191
Long-term obligations under capital leases (Note 7)	172,977	203,557
Other long-term liabilities	10,099	10,932
Deferred credits		
Deferred income taxes	210,984	173,467
Other	12,079	9,008
	1,341,773	1,187,084
SHAREHOLDER'S EQUITY		
Share capital		
Authorized: $750 million divided into shares of one thousand dollars each		
Issued and fully paid: 329,009 shares	329,009	329,009
Retained earnings	199,146	172,218
	528,155	501,227
	1,869,928	1,688,311

See accompanying notes.

On behalf of the Board:

RENÉ AMYOT
Chairman of the Board

CLAUDE I. TAYLOR
President & Chief Executive Officer

AIR CANADA—*Continued*

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS YEAR ENDED DECEMBER 31 (in thousands of dollars)

	1981	1980
Operating revenues		
Passenger	1,856,997	1,642,848
Cargo	255,287	219,107
Contract services and other	145,947	119,817
	2,258,231	1,981,772
Operating expenses		
Salaries, wages and benefits	773,464	694,740
Aircraft fuel	567,183	418,600
Sales commissions	142,934	113,984
Maintenance materials, supplies and services	119,552	122,313
Passenger meals and services	102,063	97,471
Depreciation, amortization and obsolescence	131,155	130,196
Other	348,279	314,095
	2,184,630	1,891,399
Operating income	73,601	90,373
Non-operating income (expense)		
Interest on long-term debt and capital lease obligations	(54,539)	(44,003)
Interest income	38,006	36,477
Interest capitalized	7,093	7,748
Gain on disposal of property and equipment	7,359	12,021
Other	3,789	2,707
	1,708	14,950
Income before income taxes	75,309	105,323
Provision for deferred income taxes	35,181	48,281
Net income	40,128	57,042
Retained earnings at beginning of year	172,218	128,376
Dividend paid	13,200	13,200
Retained earnings at end of year	199,146	172,218

See accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION YEAR ENDED DECEMBER 31 (in thousands of dollars)

	1981	1980
Funds provided from		
Funds from operations	223,234	243,974
Long-term borrowings	152,774	64,979
Proceeds on disposal of property and equipment	18,160	13,721
Increase in advance ticket sales	11,211	37,753
Total funds provided	405,379	360,427
Funds used for		
Property and equipment including progress payments	472,388	286,232
Repayment of long-term debt	41,437	31,692
Repayment of capital lease obligations	19,186	18,630
Investment in shares of other companies	4,460	8,976
Increase in spare parts, materials and supplies	17,938	27,359
Dividend	13,200	13,200
Other	1,148	3,446
Total funds used	569,757	389,535
Decrease in cash and short-term investments	164,378	29,108
Cash and short-term investments at beginning of year	262,292	291,400
Cash and short-term investments at end of year	97,914	262,292

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

(a) Consolidation

The consolidated financial statements include the accounts of Air Canada and its wholly-owned subsidiaries, Touram Inc., and Airline Maintenance Buildings Limited. All inter-company transactions have been eliminated.

(b) Depreciation and amortization

Property and equipment, including assets under capital lease are depreciated or amortized based on the straight-line method over their estimated service lives. Gains or losses on dispositions of property and equipment are reflected in income.

(c) Maintenance

Maintenance and repairs are charged to operating expenses except for significant modification costs which are capitalized.

(d) Spare parts

Provision is made for obsolescence of aircraft spare parts based on the estimated service lives of the related aircraft.

(e) Airline revenue

Airline passenger and cargo sales are recognized as operating revenues when the transportation is used. The value of unused transportation is included in current liabilities.

(f) Interest capitalized

Interest on funds used to finance the acquisition of new aircraft and construction of major ground facilities is capitalized as part of the cost of the asset.

(g) Translation of foreign currencies

Assets and liabilities denominated in foreign currencies are translated at year-end exchange rates and resulting gains and losses are included in income.

(h) Investment in other companies

The excess of the acquisition costs of investments over the Corporation's proportionate share of the underlying net book value of the assets acquired is amortized over its estimated useful life.

2. Change in aircraft service lives

Major modifications are being made to DC-8 and DC-9 aircraft. As a result, the service lives of these aircraft have been extended, which, in 1981, resulted in a reduction in depreciation and obsolescence expense of $14 million.

3. Property and equipment

	1981	1980
	$	$
Flight equipment	1,596,386	1,186,778
Ground equipment and facilities	467,432	413,981
Total cost	2,063,818	1,600,759
Less: accumulated depreciation and amortization	909,041	838,452
	1,154,777	762,307
Progress payments	99,291	133,768
Net book value	1,254,068	896,075

AIR CANADA—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

4. Flight equipment under capital leases

	1981	1980
	$	$
Flight equipment under capital leases	283,839	302,453
Less: accumulated depreciation	127,047	118,395
Net book value	156,792	184,058

5. Investment in other companies

The Corporation purchased 30% of Innotech Aviation Limited, effective July 1, 1981, for $4.5 million. This company is in the business of selling, chartering and servicing aircraft.

Investments in companies accounted for on the equity basis include Nordair Ltd. (86.5% owned), Guinness Peat Aviation Ltd. (29.3% owned), Innotech Aviation Limited (30.0% owned), and MATAC Cargo Ltd. (50.0% owned).

The Corporation's share of the 1981 earnings of these companies is included in other non-operating income and amounted to $2.3 million (1980—$2.9 million).

The Corporation has continued to exclude Nordair Ltd. from consolidation because its investment in this company was still under Government review.

6. Long-term debt

	1981	1980
	$	$
Government of Canada		
7.2% note, payable semi-annually, maturing in 1993	264,983	279,353
8.31% note, payable annually, maturing in 2001	13,800	13,800
	278,783	293,153
Other		
5.5% notes due 1982/84	5,384	10,388
6.0% notes due 1983/84	31,868	44,161
8.0% notes due 1990/91	70,400	
8.375% note due 1990	56,112	63,179
8.5% note due 1991	35,949	
8.7% notes due 1995/96	39,894	
	518,390	410,881
Current portion	48,290	36,690
	470,100	374,191

None of the long-term debt is secured.

Repayment requirements over the next five years amount to $278.8 million; $48.3 million in 1982, $51.7 million in 1983, $61.4 million in 1984, $57.3 million in 1985, and $60.1 million in 1986.

Long-term debt includes $234.2 million payable in U.S. funds (1980—$107.3 million) and $5.4 million payable in Pounds Sterling (1980—$10.4 million).

At December 31, 1981 the Corporation had financing arrangements in place totalling U.S. $1,262.7 million, primarily with the Export-Import Bank of the United States, in respect of its aircraft and facilities commitments and options. Funds drawn down under these arrangements are repayable over periods of up to twelve years at an average rate of 9%.

The Corporation also has revolving and term credit agreements totalling $200 million with two Canadian chartered banks. The revolving and term periods are three and five years respectively. As at December 31, 1981 drawings against these agreements totalled $2 million.

7. Lease obligations

The future minimum lease payments under capital and operating leases are as follows:

	Capital leases—Aircraft	Operating leases—Aircraft & facilities
	$	$
1982	33,362	22,040
1983	32,801	19,017
1984	32,241	15,958
1985	31,678	13,131
1986	31,116	11,696
Remaining years	110,974	39,676
Total future minimum lease payments	272,172	121,518
Less: amount representing interest	80,540	
Present value of obligations under capital leases	191,632	
Less: current portion of obligations under capital leases	18,655	
Long-term obligations under capital leases	172,977	

Capital leases are recorded at an amount equal to the present value of the lease payments using the interest rate implicit in the lease. The average implicit interest rate of these obligations is 7.6% and their expiry dates are from 1986 to 1991.

8. Investment tax credits

As at December 31, 1981, the Corporation had available $53.8 million of investment tax credits that can be applied as a reduction to future federal income taxes payable. Of these, $13.2 million is available until 1984, $11.3 million is available until 1985, and $29.3 million is available until 1986.

9. Commitments

As at December 31, 1981, contracts for the acquisition of aircraft and spare engines, after deducting progress payments, amounted to approximately U.S. $593.7 million. Aircraft deliveries are scheduled as follows:

	1982	1983	1984	Total
B-727	3			3
B-767	2	4	6	12

Other commitments include Canadian $42.3 million for ground equipment, spare parts and facilities, and U.S. $113.8 million for aircraft modifications.

10. Pension plans

The Corporation maintains pension funds for virtually all its employees. The cost of funding current service pension benefits is charged to operations as incurred. Unfunded liabilities, as determined by actuarial valuation, are funded by annual payments which are charged to operations over periods recommended by the actuaries and in accordance with regulatory requirements. The total charge for these plans for the year was $65.3 million (1980—$63.5 million).

As at December 31, 1981 the unfunded liability of the Corporation's pension plans amounted to $273.0 million (1980—$217.9 million) and is being retired by annual payments over various periods ending 2003.

AIR CANADA—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Concluded*

11. Subsequent event

On February 5, 1982, the Board of Directors declared a dividend of $13.2 million payable to the Government of Canada on or before March 31, 1982.

12. Contingencies

Various lawsuits and claims are pending by and against the Corporation. It is the opinion of management that final determination of these claims will not materially affect the financial position or the results of the Corporation.

13. Related party transactions

In the ordinary course of business, the Corporation enters into transactions with related parties, including the Government of Canada, its agencies and other Crown Corporations. The Corporation derives revenues from related parties for passenger, cargo and contract services. Expenses with related parties include landing fees, terminal assessments, taxes and interest on long-term debt.

Account balances resulting from these transactions are included in the balance sheet and are settled on normal trade terms.

14. Comparative figures

The 1980 comparative figures have been restated to conform with the presentation adopted in 1981. The changes include:

—the consolidation of wholly-owned subsidiaries;

—the restructuring of operating revenue and operating expense categories;

—the restructuring of the statement of changes in financial position to reflect changes in cash and short-term investments, rather than changes in working capital.

ATLANTIC PILOTAGE AUTHORITY

(Established by the Pilotage Act)

AUDITOR'S REPORT

THE HONOURABLE JEAN-LUC PEPIN, P.C., M.P.
MINISTER OF TRANSPORT

I have examined the balance sheet of Atlantic Pilotage Authority as at December 31, 1981 and the statements of operations, deficit, contributed capital and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements give a true and fair view of the financial position of the Authority as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Authority, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

KENNETH M. DYE
Auditor General of Canada

Ottawa, Ontario
January 29, 1982

BALANCE SHEET AS AT DECEMBER 31, 1981

ASSETS	1981	1980
	$	$
Current		
Cash and short-term investments	97,789	40,637
Accounts receivable	629,444	635,400
Prepaid expenses	21,743	32,330
	748,976	708,367
Fixed, at cost		
Land and buildings	14,035	14,035
Pilot boats	372,265	343,916
Pilot boats under capital lease	964,000	964,000
Furniture and equipment	159,683	146,277
	1,509,983	1,468,228
Less: accumulated depreciation	576,590	500,468
	933,393	967,760
	1,682,369	1,676,127

LIABILITIES	1981	1980
	$	$
Current		
Accounts payable and accrued liabilities	335,062	293,803
Due to Canada in respect of parliamentary appropriations (Note 3)		368,084
Current portion of capital lease agreements (Note 4)	55,940	51,536
	391,002	713,423
Long-term		
Accrued employee termination benefits	686,301	639,141
Principal amount of capital lease agreements net of current portion (Note 4)	647,097	703,037
	1,333,398	1,342,178
	1,724,400	2,055,601
DEFICIT OF CANADA		
Contributed capital	701,009	701,009
Deficit	(743,040)	(1,080,483)
	(42,031)	(379,474)
	1,682,369	1,676,127

Approved by the Authority:

A. D. LATTER
Chairman

G. E. SIMMONS
Member

S. M. KEDDY
Secretary

ATLANTIC PILOTAGE AUTHORITY—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	$	$
Income		
Pilotage charges	5,161,417	4,763,723
Interest and other income	63,524	17,824
	5,224,941	4,781,547
Expenses		
Pilots' fees, salaries and benefits	2,571,441	2,438,881
Pilot boats, operating costs	1,586,760	1,458,252
Staff salaries and benefits	325,613	331,161
Transportation and travel	210,986	221,338
Professional and special services	214,984	169,873
Interest on capital leases	63,575	67,953
Depreciation	77,569	74,738
Rentals	61,965	66,116
Communications	63,000	49,885
Utilities, materials and supplies	79,689	60,785
	5,255,582	4,938,982
Loss for the year	30,641	157,435

STATEMENT OF DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	$	$
Balance, beginning of the year	1,080,483	923,048
Loss for the year	30,641	157,435
	1,111,124	1,080,483
Due to Canada in respect of parliamentary appropriations (Note 3)	368,084	
Balance, end of the year	743,040	1,080,483

STATEMENT OF CONTRIBUTED CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	$	$
Balance, beginning of the year	701,009	648,915
Parliamentary appropriations to finance		
Additions to fixed assets		25,006
Principal payments on capital leases		27,088
		52,094
Balance, end of the year	701,009	701,009

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	$	$
Funds provided		
Operations		
Loss for the year	(30,641)	
Items not requiring an outlay of funds		
Employee termination benefits	47,160	
Depreciation	77,569	
Gain on disposal of fixed assets	(1,447)	
	92,641	
Due to Canada in respect of parliamentary appropriations (Note 3)	368,084	
Parliamentary appropriations		52,094
Proceeds on disposal of fixed assets	2,621	2,327
	463,346	54,421
Funds applied		
Operations		
Loss for the year		157,435
Items not requiring an outlay of funds		
Employee termination benefits		(32,113)
Depreciation		(74,738)
Gain on disposal of fixed assets		1,568
		52,152
Decrease in principal amount of capital lease agreements	55,940	51,536
Additions to fixed assets	44,376	35,129
	100,316	138,817
Increase (decrease) in working capital	363,030	(84,396)
Working capital (deficiency), beginning of the year	(5,056)	79,340
Working capital (deficiency), end of the year	357,974	(5,056)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1981

1. Nature of activities

The Atlantic Pilotage Authority was established on February 1, 1972 pursuant to the Pilotage Act. The objects of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The Act further provides that the tariffs of pilotage charges shall be fair and reasonable and consistent with providing a revenue, together with any revenue from other sources, sufficient to permit the Authority to operate on a self-sustaining financial basis.

2. Significant accounting policies

(a) Depreciation

Depreciation of fixed assets is calculated on a straight-line basis and is based on the estimated useful life of the assets as follows:

Buildings	20 years
Pilot boats	20 years
Pilot boats under capital lease	25 years
Furniture and equipment	10 years

(b) Contributed capital

Amounts representing the values assigned to assets transferred to the Authority from Canada in 1972, the cost of capital assets and the principal portion of payments made under capital lease agreements and financed from parliamentary appropriations to March 31, 1980 are shown as contributed capital.

ATLANTIC PILOTAGE AUTHORITY—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1981—*Concluded*

(c) Capital leases

The Authority leases three pilot boats from Canada under long-term financing leases. Under the terms of the lease agreements, the Authority assumes the rights and obligations of ownership. As a result, the leases are treated as purchases and the principal portion of lease payments is capitalized and depreciated over the estimated useful lives of the boats. The corresponding liability is reduced by the principal portion of lease payments and the interest portion is expensed in the year to which it relates.

(d) Pension plan

All employees of the Authority are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. Contributions with respect to current service are expensed in the current period. Contributions with respect to past service benefits are expensed when paid generally over the remaining service lives of the pilots.

(e) Employee termination benefits

Employees of the Authority are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees.

(f) Income tax

Under the provisions of the Income Tax Act, the Authority is not subject to income tax.

3. Due to Canada in respect of parliamentary appropriations

In Supplementary Estimates (C), 1980-81 the Government ratified application of the balance due to Canada as at December 31, 1980 in respect of parliamentary appropriations to the Authority's deficit. As a result the deficit as at December 31, 1981 has been reduced by $368,084.

4. Capital lease agreements

The Authority leases three pilot boats under long-term financing leases. The payments required under the leases are as follows:

	1981	1980
	$	$
9 ¾% lease agreement, due April 1991, payable in blended annual payments of $54,785	547,855	602,640
8% lease agreement, due October 1989, payable in blended annual payments of $31,077	248,613	279,690
8% lease agreement, due November 1989, payable in blended annual payments of $31,077	248,613	279,690
Total lease payments	1,045,081	1,162,020
Less: amount representing interest	342,044	407,447
Principal amount of capital lease	703,037	754,573
Less: current portion	55,940	51,536
Principal amount of capital lease agreements net of current portion	647,097	703,037

The aggregate payments required on these leases, in each of the next five years is $116,939 per annum.

Upon maturity of the leases, the Authority has the option to purchase each of the boats for $1.

Included in the figure for accumulated depreciation of fixed assets at December 31, 1981 is $273,920 ($235,360 at December 31, 1980) representing accumulated amortization on pilot boats under capital lease.

5. Pension plan

Under provisions of the Pilotage Act, pilots may choose to become employees of the Authority and become entitled to count service prior to becoming an employee as pensionable under the Public Service Superannuation Act. For pilots who have elected to purchase pension benefits with respect to past service, the Authority is required to match the employee contribution. The estimated unfunded past service pension contribution with respect to these employees was approximately $267,000 at December 31, 1981 ($305,000 at December 31, 1980) and will be funded over the remaining service lives of the pilots, or the terms of purchase whichever is the lesser.

6. Services provided without charge

The Canadian Coast Guard, through its Vessel Traffic Management Centres in Nova Scotia, New Brunswick and Newfoundland, provides a pilot dispatching service to the Authority without charge.

7. Comparative figures

Certain figures for 1980 presented for comparative purposes have been reclassified to conform to the 1981 presentation.

ATOMIC ENERGY OF CANADA LIMITED

(Established under the Atomic Energy Control Act)

AUDITOR'S REPORT

THE HONOURABLE MARC LALONDE, P.C., Q.C., M.P.
MINISTER OF ENERGY, MINES AND RESOURCES

I have examined the balance sheet of Atomic Energy of Canada Limited as at March 31, 1982 and the statements of income, contributed capital, retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Company as at March 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Company, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

KENNETH M. DYE
Auditor General of Canada

Ottawa, Ontario
May 7, 1982

BALANCE SHEET AS AT MARCH 31, 1982

(in thousands of dollars)

ASSETS	1982	1981
Current assets		
Cash and short-term deposits	92,400	100,687
Accounts receivable	181,831	163,623
Inventories	63,116	54,566
	337,347	318,876
Non-current inventory	39,283	54,470
Long-term receivables	770,149	806,340
Investment	93,705	98,552
Fixed assets	90,502	84,557
	1,330,986	1,362,795

LIABILITIES	1982	1981
Current liabilities		
Accounts payable and accrued liabilities	93,309	117,530
Loans and current portion of long-term debt	53,785	50,354
Deferred revenue and costs	89,932	167,543
Provisions for uncompleted contracts	109,140	53,361
	346,166	388,788
Long-term debt	835,454	848,960
SHAREHOLDER'S EQUITY		
Capital stock Authorized—75,000 common shares Issued—54,000 common shares	15,000	15,000
Contributed capital	101,185	96,580
Retained earnings	33,181	13,467
	149,366	125,047
	1,330,986	1,362,795

The accompanying notes are an integral part of these financial statements.

Approved by the Board:

ROBERT DESPRÉS
Director

JAMES DONNELLY
Director

ATOMIC ENERGY OF CANADA LIMITED—*Continued*

STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 1982
(in thousands of dollars)

	1982	1981
Commercial operations		
Revenue		
International nuclear power projects	234,034	226,265
Engineering services	102,455	101,210
Heavy water	13,845	120,210
Radiation equipment and isotopes	67,670	55,219
Investment income	29,865	30,539
Interest income	57,614	77,644
	505,483	611,087
Costs and expenses		
Cost of sales	394,854	473,574
Marketing, administration and other	42,696	39,713
Interest	40,526	68,952
	478,076	582,239
Operating profit	27,407	28,848
Nuclear research and development		
Expenditures	166,757	140,676
Less:		
Revenue	19,094	17,146
Parliamentary appropriations	145,715	123,119
Net expenditures	1,948	411
Prototype reactor operations		
Expenditures	40,144	34,915
Less:		
Revenue	23,033	9,764
Parliamentary appropriations	11,366	10,181
Net expenditures	5,745	14,970
Net income for the year	19,714	13,467

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CONTRIBUTED CAPITAL
FOR THE YEAR ENDED MARCH 31, 1982
(in thousands of dollars)

	1982	1981
Balance at beginning of the year	96,580	187,827
Loan principal payments by Government	4,605	4,278
Reduction arising from reorganization		95,525
Balance at end of the year	101,185	96,580

The accompanying notes are an integral part of these financial statements.

STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 1982
(in thousands of dollars)

	1982	1981
Balance (deficit) at beginning of the year	13,467	(147,058)
Elimination of deficit on reorganization		147,058
Net income for the year	19,714	13,467
Balance at end of the year	33,181	13,467

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1982
(in thousands of dollars)

	1982	1981
Source of funds		
Operations		
Commercial operations	27,407	28,848
Nuclear research and development		
Parliamentary appropriations	145,715	123,119
Net expenditures	(147,663)	(123,530)
Prototype reactor operations		
Parliamentary appropriations	11,366	10,181
Net expenditures	(17,111)	(25,151)
Depreciation and amortization	10,513	9,779
	30,227	23,246
Parliamentary appropriations		
Heavy water production	112,949	65,000
Heavy water plant loans	4,605	4,278
Proceeds from long-term debt	8,504	7,351
Reduction of long-term receivables	36,248	11,927
	192,533	111,802
Application of funds		
Non-current inventory	97,762	119,470
Fixed asset acquisitions	11,611	7,977
Increase in long-term receivables	57	21,452
Reduction of long-term debt	22,010	44,554
	131,440	193,453
Increase (decrease) in working capital	61,093	(81,651)
Working capital (deficiency) at beginning of the year	(69,912)	11,739
Deficiency of working capital at end of the year	8,819	69,912

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1982

1. Operations

The Company was established in 1952 under the Atomic Energy Control Act, RSC 1970, Chapter A-19 and the Canada Corporations Act, Part I (continued under the Canada Business Corporations Act) to develop the utilization of atomic energy for peaceful purposes.

The operations of the Company are reported in the Statement of Income under three categories: commercial operations; nuclear research and development; and prototype reactor operations.

The commercial operations consist of:

International Division which constructs nuclear power plants and provides project management, marketing, and engineering services outside Canada;

Engineering Division which provides marketing, engineering, testing and project management services rendered principally to domestic power utilities and the International Division;

Chemical Division which produces and sells heavy water;

Radiochemical Division which manufactures and markets medical and industrial radiation equipment and radioisotopes; and

Corporate operations and investments.

Nuclear research and development consists of:

Basic applied nuclear research and development is conducted at the Chalk River and Whiteshell laboratories. The cost of the research and development program is funded primarily by appropriations from Parliament by way of capital and operating votes.

ATOMIC ENERGY OF CANADA LIMITED—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1982—*Continued*

Prototype reactor operations consist of:

Gentilly-1 prototype nuclear station. The cost of maintaining this prototype is funded by appropriations from Parliament; and

Douglas Point nuclear station which is operated by Ontario Hydro for the Company.

2. Significant accounting policies

Nuclear power projects

Nuclear power project revenue and related costs are recognized in the Statement of Income on the percentage of completion method. This method is applied on a conservative basis in order to recognize the absence of certainty on these long-term projects. When estimates indicate a possibility of loss on uncompleted contracts, provision for the estimated loss is made in the accounts of the Company.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated to Canadian dollars at rates in effect at year end. Deferred revenue and costs on uncompleted contracts in foreign currencies are recorded at historical rates on a monthly basis. Gains and losses, resulting from foreign currency transactions and balances, are recorded in operations or project costs.

Valuation of inventories

Heavy water, radiation equipment and materials are valued at the lower of average cost and net realizable value. Maintenance and general supplies are valued at cost. Inventory is classified as non-current when it is not expected to be sold within the next fiscal year.

Fixed assets

Fixed assets are recorded at cost net of related parliamentary appropriations and are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Machinery and equipment — 5 to 20 years
Buildings — 20 to 50 years
Prototype reactors — 30 years

3. Transactions with the Government of Canada

The Government of Canada funds specific nuclear research, development and utilization activities of the Company and provides loan financing for other purposes. During the year the following amounts were provided:

	(in thousands of dollars) 1982	1981
Budgetary appropriations		
Nuclear research and development	145,781	123,119
Prototype reactor operations	11,366	10,181
Heavy water—Production	112,949	65,000
—Loan payments	9,300	9,300
—La Prade maintenance	4,539	8,623
	283,935	216,223
Loans and advances		
Fixed assets	3,200	3,600
	287,135	219,823

During the year the Company paid $13.4 million (1981—$11.1 million) to the Government of Canada as the Company's contributions to the Public Service Superannuation Account.

During the year interest terms on certain loans by Canada for utility financing were amended by the Government. This change resulted in a reduction of $17.0 million to both utility accounts receivable and related debt.

4. Inventories

	(in thousands of dollars) 1982	1981
Current		
Radiation equipment and materials	34,840	27,749
Maintenance and general supplies	21,024	21,656
Heavy water	7,252	5,161
	63,116	54,566
Non-current		
Heavy water net of parliamentary appropriations totalling $177.9 million (1981—$65 million).	39,283	54,470

The funding of heavy water production by parliamentary appropriations requires annual approval and is repayable from future sales. At the year end, the Government funded inventory had not been committed to any sales contract.

5. Long-term receivables

	(in thousands of dollars) 1982	1981
Notes receivable from provincial utilities to finance nuclear facilities some of which are under construction, at interest rates varying from 7.795% to 10.0%. On certain notes totalling $350.0 million, interest is not receivable until the earlier of the in-service date of the facility or April 1, 1983. The notes included herein that have established terms totalling $184.4 million mature through 1992. The remaining notes have a 25 year amortization from the in-service date of the plants	685,369	696,013
Refer to Note 8 for related debt.		
Lease/sale options due from foreign governments and companies at fixed or floating interest rates. On fixed rate agreements, the interest rates range from 7.0% to 10.5% with terms of up to 12 years. On floating rate agreements, interest is based on bank offered rates	114,644	114,855
Mortgages receivable and other	7,301	9,418
	807,314	820,286
Current portion	37,165	13,946
	770,149	806,340

6. Investment

Ontario Hydro, the Province of Ontario and the Company are parties to a joint undertaking for the construction and operation of Units 1 and 2 of the Pickering 'A' nuclear generating station, with ownership of these units being vested in Ontario Hydro. Ontario Hydro is committed to make payments over a period terminating in 2001 to each of the parties in proportion to their capital contributions. These payments, termed "payback", represent in a broad sense the net operational advantage of having the power generated by Pickering Units 1 and 2 as compared with the coal-fired Lambton Units 1 and 2. The cost of the investment is amortized on a straight-line basis and amounted to $4.8 million for the year as a charge to operations.

ATOMIC ENERGY OF CANADA LIMITED—*Continued*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1982—*Continued*

7. Fixed assets

	(in thousands of dollars)				
	Cost	Parliamentary Appropriations	Accumulated Depreciation	Net 1982	Net 1981
Commercial					
Land	1,430	455		975	975
Buildings	18,463	3,548	9,919	4,996	5,504
Machinery and equipment	27,931	7,302	8,969	11,660	8,920
Construction in progress	9,321			9,321	4,149
	57,145	11,305	18,888	26,952	19,548
Research facilities					
Land	8,788	8,788			
Buildings	62,604	56,680	1,897	4,027	2,294
Research reactors and equipment	213,390	202,994	10,354	42	25
Construction in progress	18,948	18,948			16
	303,730	287,410	12,251	4,069	2,335
Prototype reactors					
Gentilly-I	88,795	88,795			
Douglas Point	81,762	7,056	15,225	59,481	62,674
	170,557	95,851	15,225	59,481	62,674
Heavy water plants					
La Prade	442,848	442,848			
Glace Bay	258,892	240,530	18,362		
Port Hawkesbury	101,037	82,037	19,000		
	802,777	765,415	37,362		
	1,334,209	1,159,981	83,726	90,502	84,557

Depreciation for the year ended March 31, 1982 amounted to $5.7 million (1981—$4.9 million).

8. Long-term debt

	(in thousands of dollars)	
	1982	1981
Loans from Canada to finance provincial utility nuclear projects at interest rates varying from 7.565% to 10.0%. On certain loans totalling $350.0 million, interest is not payable until the earlier of the in-service date of the project or April 1, 1983. The notes with established terms totalling $183.3 million mature through 1992. Other notes have a 25 year amortization from the in-service date of the plants	684,291	695,029
Refer to Note 5 for related receivables.		
Loans from Canada to finance leased heavy water and other assets maturing through 2003 bearing interest rates from 3.5% to 16.125%	105,582	104,270
Heavy water plant loans	58,626	62,954
The heavy water plant loan payments are repaid by the Government through parliamentary appropriations with the principal portion of the payments being credited to contributed capital.		
Provision for employee termination benefits and other	20,740	17,061
	869,239	879,314
Current portion	33,785	30,354
	835,454	848,960

Long-term debt is due as follows ($ millions): 1984—$25.7; 1985—$31.3; 1986—$34.7; 1987—$26.5; subsequent to 1987—$717.3.

9. Major contracts in progress

International nuclear power projects

The Company has contracts in progress in Argentina, Korea, and Romania with respect to the construction of, and/or supply of engineering services and materials for 600 megawatt (electric) CANDU nuclear power stations.

Domestic projects

The Company has contracts with provincial utilities in Ontario, Quebec and New Brunswick for the provision of engineering and procurement services for the construction of CANDU nuclear power stations.

Provisions for uncompleted contracts

The Company has made adequate provision in its accounts at March 31, 1982 for possible future losses and warranty costs.

10. Major commitments

Cobalt—60

In July 1969, the Company entered into a contract with Ontario Hydro whereby the Company is committed to purchase all of the Cobalt-60 produced at the Pickering generating station for a period of 30 years from the in-service date (1971) of the installation. The contract is independent of market demand and may be terminated by agreement between the parties.

Heavy water

The Company has a contract with Hydro Quebec to supply 1,440 megagrams of heavy water by 1990 at a price that is intended to recover all relevant costs. The Company is required to repurchase up to 960 megagrams of the heavy water in 1995 if declared surplus by Hydro Quebec. To date Hydro Quebec has not committed to take delivery of any heavy water under the terms of this contract.

ATOMIC ENERGY OF CANADA LIMITED—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1982—*Concluded*

11. Comparative financial data

Where appropriate, financial data for 1981 has been reclassified to conform with the 1982 format. Some contractual revenue and costs relating to international nuclear power projects, previously offset in the Company's accounts, have now been restated to more properly reflect the nature of these transactions.

12. Segmented information

	(in thousands of dollars) 1982	1981
Net income for the year		
Commercial operations		
Nuclear engineering, projects and heavy water	2,286	4,366
Radiation equipment and isotopes	4,624	1,334
Investments	20,497	23,148
	27,407	28,848
Nuclear research and development—Net expenditures	1,948	411
Prototype reactor operations—Net expenditures	5,745	14,970
	19,714	13,467
Assets		
Commercial operations		
Nuclear engineering, projects and heavy water	297,211	293,875
Radiation equipment and isotopes	67,506	57,155
Investments	205,926	243,388
	570,643	594,418
Long-term receivables from utilities	673,879	685,369
Nuclear research and development	26,983	20,334
Prototype reactors	59,481	62,674
	1,330,986	1,362,795
Capital expenditures		
Commercial operations		
Nuclear engineering and projects	2,432	1,817
Radiation equipment and isotopes	8,180	5,350
Other	99	105
	10,711	7,272
Nuclear research and development before parliamentary appropriations of $13.4 million (1981—$8.3 million)	18,044	9,608
Prototype reactors	24	1,075
	28,779	17,955

13. Supplementary information

Elimination of deficit

A financial reorganization provided for the elimination of the deficit in the amount of $147.1 million against contributed capital at April 1, 1980.

Directors' and officers' remuneration

During the year the Company's Board of Directors received aggregate remuneration as directors of $52,800 (1981—$11,100). The aggregate remuneration received by the executive officers of the Company amounted to $955,167 (1981—$746,700).

Sales agents' remuneration

During the year, remuneration and expenses paid to the following sales agents and representatives, primarily with respect to the operations of the Radiochemical Division, aggregated $0.8 million (1981—$0.6 million).

CGR Do Brasil, Brazil; Costa Rica Dental & Medical Supply Company, Costa Rica; ECB Equipamentos Cientificos Do Brasil, Brazil; A. Bruce Edwards, U.S.A.; n.v.E.N.I.s.a., Belgium; Gebhart & Associates, Mexico; GEC South Africa (Pty) Limited, South Africa; General Electric De Colombia SA, Colombia; General Marchinery Co. Ltda., Chile; International General Electric Co. (India) Private Limited, India; Kostas Karayannis, Greece; Roberto L. Lannes, Uruguay; Marubeni Corporation, Japan; Mundinter CGR, Portugal; Neotecnica S.A.E., Spain; Laboratorios Rodriguez, Honduras; Societa Lombarda di Televisione SRL, Italy; Tamathe S.R.L., Argentina; Zelin Limited, Pakistan.

BANK OF CANADA

AUDITORS' REPORT

We have examined the statement of assets and liabilities of the Bank of Canada as at December 31, 1981 and the statement of income and expense for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Bank as at December 31, 1981 and the results of its operations for the year then ended in accordance with the accompanying summary of significant accounting policies, applied on a basis consistent with that of the preceding year.

RAYMOND, CHABOT, MARTIN, PARÉ & ASSOCIÉS

CLARKSON GORDON

Ottawa, Canada
January 15, 1982

STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 1981
(with comparative figures for 1980)
(in thousands of dollars)

ASSETS	1981	1980
Deposits payable in foreign currencies:		
U.S.A. dollars	165,605	278,625
Other currencies	6,562	5,672
	172,167	284,297
Advances to members of the Canadian Payments Association	38,000	16,000
Investments—At amortized values:		
Treasury bills of Canada	5,245,872	5,252,434
Other securities issued or guaranteed by Canada maturing within three years	4,185,217	3,892,522
Other securities issued or guaranteed by Canada not maturing within three years	7,483,569	6,648,736
Bonds and debentures issued by the Industrial Development Bank		170,612
Other investments	2,633	225,340
	16,917,291	16,189,644
Bank premises:		
Land, buildings and equipment, at cost less accumulated depreciation	78,993	76,655
Cheques drawn on other banks	1,627,744	488,552
Accrued interest on investments	315,285	253,205
Other assets	4,457	4,870
	19,153,937	17,313,223

LIABILITIES	1981	1980
Capital paid up	5,000	5,000
Rest fund	25,000	25,000
Notes in circulation	11,635,604	11,108,020
Deposits:		
Government of Canada	384,194	58,701
Chartered banks	5,278,349	5,466,282
Other deposits	189,861	85,935
	5,852,404	5,610,918
Liabilities payable in foreign currencies:		
Government of Canada	51,700	177,647
Other	236	239
	51,936	177,886
Bank of Canada cheques outstanding	1,061,312	281,423
Collections and payments in process of settlement:		
Government of Canada (net)	516,579	99,496
Other	915	1,491
	517,494	100,987
Other liabilities	5,187	3,989
	19,153,937	17,313,223

See accompanying notes to the financial statements

G. K. BOUEY
Governor

A. C. LAMB
Chief Accountant

BANK OF CANADA—*Concluded*

STATEMENT OF INCOME AND EXPENSE
YEAR ENDED DECEMBER 31, 1981

(with comparative figures for 1980)
(in thousands of dollars)

	1981	1980
Income		
Revenue from investments and other income after deducting interest of $6,399 ($5,849 in 1980) paid on deposits	1,945,575	1,541,892
Expense		
Salaries[1]	35,837	31,733
Contributions to pension and insurance funds[1]	5,208	4,954
Other staff expenses[2]	1,402	1,318
Directors' fees	83	49
Auditors' fees and expenses	259	231
Taxes—Municipal and business	5,618	4,932
Bank note costs	21,318	19,611
Data processing and computer costs	4,315	3,491
Maintenance of premises and equipment—Net[3]	7,431	6,542
Printing of publications	542	453
Other printing and stationery	1,238	1,275
Postage and express	849	866
Telecommunications	1,144	983
Travel and staff transfers	1,464	1,080
Other expenses	668	748
	87,376	78,266
Depreciation on buildings and equipment	5,020	4,824
	92,396	83,090
Net income paid to Receiver General for Canada	1,853,179	1,458,802
	1,945,575	1,541,892

See accompanying notes to the financial statements

[1] Salaries, including overtime, and related contributions to pension and insurance funds for bank staff other than those engaged in building maintenance. The number of employee years worked by such staff (including temporary, part-time and overtime work) was 1,955 in 1981 compared with 1,956 in 1980 but there was a significant increase in the average level of skills of those employed.

[2] Includes cafeteria expenses, retirement allowances, educational training costs and medical expenses.

[3] Includes all building maintenance costs (including staff costs) but net of rental income.

Certain of the expenses for 1980 have been reclassified in order to conform with the presentation adopted for 1981.

FINANCIAL STATEMENTS DECEMBER 31,1981
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared within the framework of the accounting policies summarized below.

(a) Form of Presentation

The form of the statement of assets and liabilities meets the requirements of the Bank of Canada Act.

(b) Revenues and Expenses

Revenues and expenses have been accounted for on the accrual basis.

(c) Investments

In accordance with the requirements of the Bank of Canada Act, these assets have been recorded at their cost adjusted for amortization of purchase discounts and premiums. The amortization as well as gains and losses on disposition have been included in income.

(d) Translation of Foreign Currencies

Assets and liabilities in foreign currencies have been translated to Canadian dollars at the rates of exchange prevailing at the year-end.

(e) Depreciation

Depreciation has been recorded at the following annual rates applied on the declining balance method·

Buildings	5%
Equipment	20%

CANADA DEPOSIT INSURANCE CORPORATION

(Established by the Canada Deposit Insurance Corporation Act)

AUDITOR'S REPORT

THE HONOURABLE ALLAN J. MacEACHEN, P.C., M.P.
MINISTER OF FINANCE

I have examined the balance sheet of the Canada Deposit Insurance Corporation as at December 31, 1981 and the statements of income and accumulated net earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements give a true and fair view of the financial position of the Corporation as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

KENNETH M. DYE
Auditor General of Canada

Ottawa, Ontario
February 12, 1982

BALANCE SHEET AS AT DECEMBER 31, 1981

ASSETS	1981	1980
	$	$
Cash and cash equivalents (Note 3)	82,715,048	66,907,964
Premiums and other accounts receivable	4,924,515	5,762,918
Secured loans—Astra Trust Company (Note 4)		8,400,000
Guaranteed loans—Quebec Deposit Insurance Board (Note 5)	30,000,000	
Accrued interest	6,985,718	3,274,685
Investments—Canada bonds (Note 6)	82,124,624	91,935,973
Assets acquired from member institutions in liquidation (Note 7)	7,427,866	2,037,543
Claims re insured deposits		
Commonwealth Trust Company (Note 8(a))	1	1
Astra Trust Company (Note 8(b))	18,332,457	21,791,946
Fixed assets		
Furniture, equipment and leasehold improvements	76,336	61,264
Less: accumulated depreciation and amortization	(34,517)	(19,532)
	232,552,048	200,152,762

LIABILITIES	1981	1980
	$	$
Accounts payable	490,694	981,556
Current income taxes	4,011,094	627,477
Deferred income taxes	2,380,810	2,666,761
	6,882,598	4,275,794
DEPOSIT INSURANCE FUND		
Premiums		
Balance, beginning of the year	147,550,245	125,672,278
Premiums for the year	19,768,169	21,877,967
Balance, end of the year	167,318,414	147,550,245
Accumulated net earnings	58,351,036	48,326,723
	225,669,450	195,876,968
	232,552,048	200,152,762

Certified correct:

T. J. DAVIS
Secretary-Treasurer

Approved by the Board:

JOHN F. CLOSE
Chairman

RICHARD HUMPHRYS
Director

CANADA DEPOSIT INSURANCE CORPORATION—*Continued*

STATEMENT OF INCOME AND ACCUMULATED NET EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	$	$
Income (Note 11)	26,320,171	18,398,738
Expenses		
Inspection and other fees	406,006	565,056
Salaries and employee benefits	155,031	134,964
General, administrative and other	169,678	116,343
	730,715	816,363
Income before income taxes	25,589,456	17,582,375
Income taxes		
Current	12,651,094	8,227,477
Deferred	(285,951)	379,824
	12,365,143	8,607,301
Net income for the year	13,224,313	8,975,074
Accumulated net earnings, beginning of the year as restated (Note 12)	48,326,723	39,297,418
Recovery of claims—Commonwealth Trust Company (Note 8(a))		54,231
Provision for loss—Astra Trust Company (Note 8(b))	(3,200,000)	
Accumulated net earnings, end of the year	58,351,036	48,326,723

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	$	$
Funds provided		
Operations		
Net income for the year	13,224,313	8,975,074
Items not requiring funds		
Deferred income taxes	(285,951)	379,824
Net amortization of premiums and discounts on bonds and debentures	(189,545)	(176,817)
Depreciation and amortization	14,985	9,355
	12,763,802	9,187,436
Premiums for the year	19,768,169	21,877,967
Decrease in investments—Canada bonds	10,000,000	61,000
Realization of assets acquired from member institutions in liquidation	335,956	123,731
Increase in current income taxes payable	3,383,617	28,443
Increase in accounts payable		873,810
Recovery of secured loans—Astra Trust Company	8,400,000	
Recovery of claims—Commonwealth Trust Company		54,231
Decrease in premiums and other accounts receivable	838,403	
Decrease in claims re insured deposits—Astra Trust Company	259,489	
	55,749,436	32,206,618
Funds applied		
Guaranteed loans—Quebec Deposit Insurance Board	30,000,000	
Secured loans—Astra Trust Company		8,400,000
Mortgages acquired from Astra Trust Company	5,725,385	
Increase in accrued interest	3,711,033	527,183
Increase in premiums and other accounts receivable		984,442
Purchase of fixed assets	15,072	10,380
Increase in claims re insured deposits—Astra Trust Company		21,791,946
Decrease in accounts payable	490,862	
	39,942,352	31,713,951
Increase in cash and cash equivalents	15,807,084	492,667
Cash and cash equivalents, beginning of the year	66,907,964	66,415,297
Cash and cash equivalents, end of the year	82,715,048	66,907,964

CANADA DEPOSIT INSURANCE CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1981

1. Authority and objective

The Canada Deposit Insurance Corporation was established in 1967 by the Canada Deposit Insurance Corporation Act ("the Act") (C3, R.S. 1970 as amended). The Corporation is, for all purposes of this Act, an agent of Her Majesty and all property acquired by the Corporation is the property of Her Majesty.

The Corporation's principal objective is to provide insurance on deposits with federal institutions (banks, trust and loan companies) and approved provincial institutions (trust and loan companies) up to $20,000 per depositor per institution.

2. Significant accounting policies

(a) Premiums

Premiums are assessed against member institutions based on insurable deposits held by those institutions on April 30 of each year. Premiums are credited directly to the Deposit Insurance Fund in accordance with section 18 of the Act. Premium rebates, representing a refund of premiums previously paid, are charged directly to the Deposit Insurance Fund.

(b) Accumulated net earnings

In accordance with section 20(2) of the Act, the Corporation's accumulated net earnings are reported as a separate item on the balance sheet, and shown as an addition to the Deposit Insurance Fund.

(c) Recognition of losses

Provisions for losses arising from actions taken to secure the subrogation of depositors' rights and interests are recorded in the year these actions are taken or as soon as possible thereafter when the eventual losses can be reasonably estimated. Such provisions are recorded as a direct charge against accumulated net earnings.

(d) Income taxes

Income taxes are accounted for on the tax allocation basis, which relates the provision for income taxes to the reported accounting income for the period. Timing differences between the income reported for accounting and for tax purposes are recorded as deferred income taxes and arise from the exclusion of qualifiable accrued interest from income for tax purposes and from claiming an investment reserve for tax purposes.

(e) Fixed assets

Fixed assets are recorded at cost. Depreciation on furniture and equipment is calculated at 20%, per annum, on the declining balance method and leasehold improvements are amortized on a straight line basis over the remaining terms of the leases up to a maximum of five years.

(f) Investments

Investments in treasury bills, bonds, debentures and mortgages are recorded at cost. The cost of bonds and debentures is adjusted for the amortization of premiums and discounts.

3. Cash and cash equivalents

	1981	1980
	$	$
Cash	691,571	48,309
Short-term deposits	400,000	800,000
Treasury bills	81,623,477	66,059,655
	82,715,048	66,907,964

4. Secured loans—Astra Trust Company

These represented fully secured loans made to the company prior to its liquidation. The loans were fully recovered during 1981.

5. Guaranteed loans—Quebec Deposit Insurance Board

During the year 1981, under section 33 of the Act, the Corporation entered into an agreement with the Quebec Deposit Insurance Board whereby the Board requested loans from the Corporation to meet short-term requirements for liquid funds. The Corporation approved a line of credit of $100,000,000 to the Board. As at December 31, 1981, the Corporation had advanced to the Board $55,000,000 of which $25,000,000 had been repaid, leaving an outstanding loan balance of $30,000,000. The Corporation advanced a further $25,000,000 on January 8, 1982. All funds advanced to the Quebec Deposit Insurance Board are guaranteed by the Province of Quebec and are repayable in full with interest on or before June 11, 1982.

6. Investments—Canada bonds

Year of Maturity	Par Value	Amortized Cost	Market Value
	$	$	$
1982	30,000,000	29,991,938	29,740,000
1983	32,350,000	32,182,950	30,057,350
1984	20,000,000	19,949,736	18,220,000
December 31, 1981	82,350,000	82,124,624	78,017,350
December 31, 1980	92,350,000	91,935,973	87,394,850

7. Assets acquired from a member institutions in liquidation

	1981	1980
	$	$
Canada bonds and other bonds and debentures	1,164,865	1,267,972
(Market value December 31, 1981: $635,955 December 31, 1980: $821,088)		
Mortgages	6,263,001	769,571
	7,427,866	2,037,543

The Corporation acquired these assets either as a result of subrogation, to the Corporation, of the rights and interests of the depositors in respect of whom the Corporation paid claims for insured deposits, or in settlement of secured loans owed by a member institution to the Corporation.

The mortgages include mortgages valued at $5,725,385 acquired from Astra Trust Company, in partial settlement of secured loans.

8. Claims re insured deposits

(a) Commonwealth Trust Company

In 1970, under the provisions of section 13 of the Act, the Corporation, by paying $5,432,971, acquired all the rights and interests of the depositors against the member institution which was in receivership. Recoveries to December 31, 1981 totalled $4,992,971, leaving a balance of $440,000 outstanding. The Corporation has recorded this claim at $1 since 1976; subsequent recoveries are credited directly to the accumulated net earnings. No recoveries were received during the current year.

CANADA DEPOSIT INSURANCE CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1981—*Concluded*

(b) Astra Trust Company

In 1980, Astra Trust Company, a member institution, was placed in liquidation. The Corporation met its obligations by making payments for claims in respect of the insured deposits. The Corporation's claims against the Astra Trust Company, comprise the total payments made by the Corporation for insured deposits of $21,532,457 less the provision for loss of $3,200,000.

Certain claims were filed in 1980 against the Corporation with respect to a non-member institution which are alleged to be related to the operations of the Astra Trust Company. The Corporation is still of the opinion that it is not liable in this connection.

9. Reduced premiums

As provided in section 19(8) of the Act and as approved by the Board of Directors, member institutions were assessed reduced premiums for the year. Reduced premiums have been assessed in every year since 1972.

10. Guarantee agreement

Under section 11(a) of the Act, the Corporation is empowered to guarantee deposits with a member institution for the purpose of reducing or averting a threatened loss to the Corporation. During the current year, the Corporation entered into a $10,000,000 guarantee agreement with one of its member institutions for the purpose of guaranteeing a deposit with another member. As at December 31, 1981, an amount of $1,500,000 was on deposit under the terms of this guarantee agreement.

11. Income

	1981	1980
	$	$
Interest		
Treasury bills	13,615,311	8,583,510
Canada bonds	8,410,333	8,515,127
Loans	2,771,500	830,683
Mortgages	854,482	62,253
Cash, short-term deposit and other bonds and debentures	378,793	230,193
	26,030,419	18,221,966
Net amortization of premiums and discounts on bonds and debentures and sundry	289,752	176,772
	26,320,171	18,398,738

12. Prior year's adjustment

As a result of a change in the Income Tax Act in 1981, the Corporation was assessed an additional $518,828 for income tax for the year 1980. The net income for the year 1980 and the accumulated net earnings at January 1, 1981 have been reduced accordingly. The comparative figures for 1980 have been restated to give effect to this adjustment.

13. Insured deposits

Deposits insured by the Corporation, on the basis of returns received from member institutions, totalled $109 billion as at April 30, 1981 (1980: $96 billion), comprising deposits of $99 billion in federal institutions and $10 billion in provincial institutions.

CANADA LANDS COMPANY LIMITED

THE AUDITED FINANCIAL STATEMENTS OF CANADA LANDS COMPANY LIMITED
AND ITS SUBSIDIARIES FOR THE YEAR ENDED MARCH 31, 1982
WERE NOT AVAILABLE AT DATE OF PRINTING

CANADA MORTGAGE AND HOUSING CORPORATION

AUDITORS' REPORT

TO THE HONOURABLE PAUL COSGROVE, P.C., M.P.
MINISTER RESPONSIBLE FOR
CANADA MORTGAGE AND HOUSING CORPORATION

We have examined the balance sheet of Canada Mortgage and Housing Corporation as at December 31, 1981, the related statements of operations and reserve fund and financial activities, and the accompanying statements of the mortgage insurance fund and other insurance and guarantee funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements are in agreement with the books of account of the Corporation and present a true and fair view of the state of affairs of the Corporation and funds as at December 31, 1981, and the results of their operations and financial activities for the year then ended in accordance with the accounting policies described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

In our opinion, proper books of account have been kept and the transactions of the Corporation that have come under our notice have been within the powers of the Corporation.

CHARLES-ALBERT POISSANT, C.A.
of the firm
Thorne Riddell

THOS. P. ABEL, F.C.A.
of the firm
Clarkson Gordon

Ottawa, February 23, 1982

BALANCE SHEET 31 DECEMBER 1981
(in thousands of dollars)

STATEMENT 1

ASSETS	1981	1980 (Restated—Note 4)
Investments		
Loans—Schedule I	8,996,387	8,971,913
Investments Under Federal-Provincial Agreements—Schedule II	1,151,424	1,062,877
Real Estate—Schedule III	101,148	158,562
Agreements for Sale and Mortgages arising from sales of real estate, including accrued interest	84,462	83,238
	10,333,421	10,276,590
Cash and Short Term Deposits	41,044	85,539
Accounts Receivable		
Due from the Minister	18,589	18,944
Due under federal-provincial agreements	38,730	39,792
Due from Mortgage Insurance Fund	325,372	182,546
Due from Home Insulation Contribution Fund		3,632
Other	6,841	3,666
	389,532	248,580
Deferred Income Taxes	11,615	7,072
Business Premises, Office Furniture and Equipment		
At cost	24,151	22,501
Less: accumulated depreciation	14,738	13,373
	9,413	9,128
Other Assets	12,119	8,767
	10,797,144	10,635,676

LIABILITIES	1981	1980 (Restated—Note 4)
Borrowings from the Government of Canada (Note 2)—Schedule IV	10,452,768	10,264,813
Cheques issued in excess of funds on deposit	153,501	190,240
Accounts Payable and Accrued Liabilities		
Due to the Receiver General for Canada	26,249	17,747
Due under federal-provincial agreements	39,080	40,606
Other	25,537	19,884
	90,866	78,237
Deposits and Contractors' Holdbacks	4,846	6,807
Actuarial Obligation to the Pension Fund	17,958	17,535
Deferred Income on Federal-Provincial Agreements	40,564	40,136
Deferred Profits on Sales of Real Estate	6,641	7,908
	10,767,144	10,605,676
CAPITAL		
Authorized and fully paid by the Government of Canada	25,000	25,000
Reserve Fund—Statement 2	5,000	5,000
	30,000	30,000
	10,797,144	10,635,676

RAYMOND V. HESSION
President

HAROLD S. PERRIE
Chief Accountant

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

FUNDS ADMINISTERED BY THE CORPORATION
(in thousands of dollars)

	1981	1980
Net Assets of the Mortgage Insurance Fund—Statement 4	215,340	314,436
Net Assets of the Home Improvement Loan Insurance Fund—Statement 5	5,961	5,446
Net Assets of the Rental Guarantee Fund—Statement 5	23,592	11,872

STATEMENT OF OPERATIONS AND RESERVE FUND
(in thousands of dollars)

STATEMENT 2

	Year ended 31 December 1981			Year ended 31 December 1980		
	Direct Financing Operations		Grants, Contributions and Subsidies	Direct Financing Operations (Restated—Note 4)		Grants, Contributions and Subsidies
Revenues						
Loans						
Interest earned	730,588			711,827		
Recovery of interest rate losses	49,299		49,299	46,220		46,220
Application fees on mortgage loans	3,742			3,246		
	783,629			761,293		
Interest charged by the Government of Canada	718,725	64,904		703,623	57,670	
Forgiveness of loans			141,354			138,517
Federal-Provincial Agreements						
Interest earned	64,655			57,495		
Recovery of interest rate losses	342		342	354		354
Gain on disposal of land assembly projects	5,998			14,436		
	70,995			72,285		
Interest charged by the Government of Canada	55,481	15,514		48,387	23,898	
Losses arising from agreements			76,398			64,780
Agreements for Sale and Mortgages						
Interest earned	8,263			7,644		
Interest charged by the Government of Canada	4,469	3,794		3,692	3,952	
Real Estate						
Operating loss before interest charges			1,140			477
Interest charged by the Government of Canada			7,713			14,247
Gain on disposal of real estate		1,724			2,179	
Net loss on disposal of properties acquired on default			27,458			44,696
Interest on Short Term Deposits		22,733			14,290	
Other Income		2,858			2,389	
Grants, Direct Subsidies and Research			757,875			655,591
Margin on Financing Operations		111,527			104,378	
Expenses						
Administrative Expenses	139,400			115,513		
Provision for employees' pension plan—Unfunded obligation	2,186			24,881		
Recoveries—From the Minister	(27,491)		27,491	(32,113)		32,113
—From Administered Funds	(18,714)			(20,457)		
—Other	(7,840)	87,541		(521)	87,303	
Total charged to the Government of Canada—Schedule V			1,089,070			996,995
Income before Income Taxes		23,986			17,075	
Income Taxes—Current	11,585			15,352		
—Deferred		11,585		(7,072)	8,280	
Net Income transferred to Reserve Fund		12,401			8,795	
Balance in Reserve Fund, beginning of year (As restated—Note 4)		5,000			5,000	
		17,401			13,795	
Deduct: excess over statutory limitation transferred to the credit of the Receiver General for Canada		12,401			8,795	
Balance in Reserve Fund, end of year		5,000			5,000	

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

STATEMENT OF FINANCIAL ACTIVITIES
(in thousands of dollars)

STATEMENT 3

	Year ended 31 December 1981		Year ended 31 December 1980	
	Direct Financing Operations	Grants, Contributions and Subsidies	Direct Financing Operations (Restated— Note 4)	Grants, Contributions and Subsidies
Financial resources provided				
Operations:				
Interest received	826,239		791,256	
Cash recovered from the Government of Canada		1,094,972		991,771
Gain on disposal of land assembly projects	5,998		14,436	
Other receipts	34,878		28,792	
	867,115		834,484	
Borrowings from the Government of Canada	720,254		869,884	
Loan repayments	374,159		459.634	
Real estate disposals (net)	55,479		75,037	
Increase in accrued interest on borrowings			4,186	
Decrease in accrued interest on loans	17,708			
Received from the Government of Canada on prior year's disbursements	7,838	(7,838)	(727)	727
	2,042,553	1,087,134	2,242,498	992,498
Financial resources applied				
Operations:				
Interest paid (less interest capitalized, 1981 — $29,289, 1980 — $27,288)	729,035		709,128	
Expenditures made on behalf of the Government of Canada excluding depreciation		1,087,134		992,498
Administrative payments excluding depreciation	112,730		96,733	
Reduction of unfunded obligation to employees' pension fund			10,241	
Income taxes	11,585		15,352	
	853,350		831,454	
Increase in investments under federal-provincial agreements	88,547		107,615	
Increase in operating assets	104,707		135,782	
Decrease in operating liabilities and deferred income	32,916		24,578	
Increase in agreements for sale and mortgages	1,224		2,109	
Excess reserve fund transferred to the credit of the Receiver General for Canada	12,401		4,649	
Repayment of borrowings from the Government of Canada	531,416		505,640	
Loan advances	416,342		616,878	
Business premises, office furniture and equipment additions	1,650		1,646	
Increase in accrued interest on loans			12,147	
	2,042,553	1,087,134	2,242,498	992,498

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

STATEMENT OF MORTGAGE INSURANCE FUND

(in thousands of dollars)
(Note 3a)

STATEMENT 4

NET ASSETS	31 December 1981		31 December 1980	
Assets				
Current assets		6,385		4,661
Deferred receivables on sales of real estate		20,559		36,707
Mortgages		132,369		128,078
Real estate at cost	480,911		444,890	
Less: provision for revaluation	99,512	381,399	117,354	327,536
		540,712		496,982
Liabilities				
Due to Canada Mortgage and Housing Corporation		325,372		182,546
		215,340		314,436

CONTINUITY OF FUND	Year ended 31 December 1981	Year ended 31 December 1980
Increase in Fund		
Premiums	26,566	30,641
Income from securities	1	256
Income from mortgages	13,181	12,190
Real estate acquired on claims	389,093	486,471
Mortgages acquired on claims	10,723	5,437
	439,564	534,995
Decrease in Fund		
Net loss on disposal of real estate	87,162	233,559
Decrease in provision for revaluation of real estate	(17,842)	(58,773)
Real estate operating loss	14,403	21,165
Administrative expenses	18,652	19,728
Interest expense on borrowings	35,549	24,813
	137,924	240,492
Claims paid and legal expenses: (Note 3b)		
In process beginning of year	167,859	185,114
Received during year	283,328	474,651
In process end of year	(50,451)	(167,859)
	400,736	491,906
	538,660	732,398
Net decrease in Fund	(99,096)	(197,403)
Balance, beginning of year	314,436	511,839
Balance, end of year	215,340	314,436

STATEMENT OF OTHER INSURANCE AND GUARANTEE FUNDS

(in thousands of dollars)

STATEMENT 5

HOME IMPROVEMENT LOAN INSURANCE FUND

NET ASSETS	31 December 1981	31 December 1980
Cash	3	2
Due to Canada Mortgage and Housing Corporation	(53)	(1)
Securities, at amortized cost	5,958	5,403
Mortgages	53	62
	5,961	5,466

CONTINUITY OF FUNDS	Year ended 31 December 1981	Year ended 31 December 1980
Increase in Fund		
Premiums	12	28
Income from securities	604	442
Income from mortgages	4	5
Recoveries on claims paid	73	100
	693	575
Decrease in Fund		
Administrative expenses	104	90
Claims paid and legal expenses	94	121
	198	211
Net increase in Fund	495	364
Balance, beginning of year	5,466	5,102
Balance, end of year	5,961	5,466

RENTAL GUARANTEE FUND

NET ASSETS	31 December 1981	31 December 1980
Cash	2	78
Due to Canada Mortgage and Housing Corporation	(34)	(15)
Securities, at amortized cost	13,079	8,807
Real estate		3,002
Deferred receivables on sales of real estate	10,545	
	23,592	11,872

CONTINUITY OF FUNDS	Year ended 31 December 1981	Year ended 31 December 1980
Increase in Fund		
Income from securities	1,149	743
Net profit on operation of real estate	178	446
Interest earned on deferred property sales	545	
Net profit on disposal of real estate	9,981	
	11,853	1,189
Decrease in Fund		
Administrative expenses	133	190
Net increase in Fund	11,720	999
Balance, beginning of year	11,872	10,873
Balance, end of year	23,592	11,872

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 1981

Canada Mortgage and Housing Corporation was constituted as a Crown Corporation by an Act of Parliament on January 1, 1946. Its activities are regulated by the National Housing Act, the Canada Mortgage and Housing Corporation Act and, in certain respects, the Financial Administration Act, and include:

(i) Financing housing through the making of mortgage loans under specified conditions at interest rates normally at market rates which are generally higher than the rates it pays on funds borrowed from the Government of Canada;

(ii) Making certain payments or incurring expenses in the process of delivering housing programs on behalf of the federal government. These payments and expenses include grants, contributions, subsidies, loan forgiveness, losses on real estate, losses under federal-provincial agreements, interest rate losses, research and development, and specified administrative costs. The funding for these activities is provided for in Main or Supplementary Estimates which are tabled in Parliament. Parliamentary approval is by way of Appropriation Acts which authorize the responsible Minister to reimburse the Corporation for the specified payments and expenses for the fiscal year concerned. The Corporation seeks recovery throughout the year as payments and expenses are incurred; and,

(iii) Establishing a framework of confidence for mortgage lending by private institutions, the chief instrument being the provision of mortgage insurance. This facilitates an adequate supply of mortgage funds by reducing the risk to lenders and encouraging the secondary market trading of mortgages. To this end the Corporation administers on behalf of the Government of Canada certain Insurance and Guarantee Funds. The Mortgage Insurance Fund, the largest of the Funds, was established to provide for claims made under the National Housing Act and is the depository for the mortgage insurance premiums paid by borrowers. The Mortgage Insurance Fund, while administered by the Corporation, is a separate legal accounting entity. To the extent that the assets of the Fund are not sufficient to meet claims against it the Minister at the request of the Corporation may, out of the Consolidated Revenue Fund, advance to the Corporation upon terms and conditions approved by the Governor-in-Council the amounts necessary to enable the Corporation to discharge its obligations on behalf of the Fund.

1. Significant Accounting Policies

The Corporation follows generally accepted accounting principles or, in certain cases, accounting practices appropriate to the Corporation's activities and governing legislation. The principal accounting policies followed by the Corporation are:

(a) Interest Income and Expenses

Interest income and expenses are accounted for on the accrual basis.

(b) Grants, Contributions and Subsidies

Grants, contributions and subsidies made on behalf of the Minister responsible for the Corporation and other Ministers of the Crown are recorded as recoverable when expenses are recognized.

(c) Loans

Loans are capitalized as funds are advanced. Where loans contain forgiveness clauses, such forgiveness is recorded when the loans are initiated and recovered from the Minister. Loans under certain programs give rise to interest rate losses which are recoverable from the Minister. No provisions are made for possible losses on loans. Losses on insured loans are recoverable from the Mortgage Insurance Fund while property acquired upon default on uninsured loans is subject to loss recovery as described under Real Estate.

(d) Real Estate

Real estate funded by the Corporation is recorded at cost. Real estate acquired upon default of loans is recorded at the unpaid loan balance plus interest accrued to the date of acquisition by default, together which acquisition expenditures and any modernization and improvement costs. Both the net operating costs prior to disposal and net losses resulting from the disposal of properties acquired upon default of loans are recoverable from the Minister. Profits on the sale of Corporation-funded real estate or real estate acquired without cost are recognized as income as payments are received.

(e) Depreciation

Depreciation of real estate acquired by foreclosure is recorded on a straight line basis over the balance of the term originally established for repayment of the loan.
Depreciation of real estate funded by the Corporation is recorded on a straight line basis over the term established for repayment of borrowings to finance construction or acquisition of the real estate.
Depreciation on business premises, office furniture and equipment is recorded on a diminishing balance basis at capital cost allowance rates in accordance with the provisions of the Federal Income Tax Act.

(f) Federal-Provincial Agreements

Investments made under agreements with the provinces to encourage development of rental housing, land assembly, co-operative housing and rural and native housing are considered joint ventures. The underlying assets includes agreement for sale, mortgages and real estate.
The Corporation has a seventy-five percent share in the joint ventures which is accounted for on the equity method. Under this method the investment is carried in the Balance Sheet at original cost to the Corporation plus the Corporation's seventy-five percent share of recognized earnings. Where the Province is responsible for the administration of projects, the Corporation relies on financial information provided by the Province.
Gains on the sales of land assembly projects are retained by the Corporation and are recognized as income as payments are received. The timing of these sales is dependent on many factors and as a result the earnings derived therefrom fluctuate from year to year. Losses incurred on federal-provincial investments are recoverable from the Minister.

(g) Income Tax

The Corporation is subject to federal income tax and provides for income tax on the tax allocation basis. Under this basis the provision for income tax is determined from the earnings reported in the statement of operations rather than from the Corporation's income for tax purposes.

(h) Reserve Balance

Income or loss after income taxes is transferred to the Reserve Fund which is limited by statute to $5,000,000. Any excess over this amount is transferred to the credit of the Receiver General for Canada.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER, 1981—*Concluded*

(i) Employees' Pension Plan

Current service costs of the employees' pension plan are charged to earnings and funded on the basis of an actuarial study made at least every three years in accordance with the provisions of the Pension Benefits Standards Act which is administered by the Department of Insurance.

Experience deficiencies or surpluses determined by actuarial study are recognized in the year in which such deficiencies or surpluses are identified. The existing actuarial obligation is being funded over a fifteen year period in accordance with the Pension Benefits Standards Act.

(j) Insurance and Guarantee Funds

For purposes of reporting on the Funds administered by the Corporation, transactions are recorded on a modified cash basis with premiums and interest taken into income in the year received and claims charged against the Fund when paid by the Corporation; no provision is made for claims anticipated or in process. Real estate acquired on claims against the Mortgage Insurance Fund is carried in the accounts at the amount of the claim or the appraised market value whichever is lower; no depreciation is recorded on this real estate.

The appraised market value of real estate acquired on claims against the Mortgage Insurance Fund is estimated by the Corporation using generally accepted appraisal methodologies. These are applied by its accredited appraisers taking into account factors which include, but are not limited to, market conditions, prevailing interest rates, occupancy rates and project income potential.

Deferred receivables on sales of real estate and mortgages receivable are presented net of provisions for anticipated losses.

2. Borrowings from the Government of Canada

The Corporation borrows from the Government of Canada under the provisions of Section 22 of the CMHC Act and Section 40 and 55 of the National Housing Act to finance investment in loans, federal-provincial agreements, real estate and agreements for sale and mortgages arising from sale of real estate. The borrowings are evidenced by debentures, which bear interest at varying rates and are repayable over periods not in excess of 50 years.

The Corporation also borrows from the Government of Canada under the provisions of Section 9(6) of the National Housing Act, in order to meet its obligations related to the Mortgage Insurance Fund. The borrowings are evidenced by Notes Payable. These notes bear interest at varying rates equal to the rates which the Minister of Finance approves for loans to Crown Corporations and are repayable not later than March 31, 1985.

3. Mortgage Insurance Fund

(a) Actuarial Valuation

An actuarial study of the Mortgage Insurance Fund undertaken by the Corporation during the year disclosed that the Fund is inadequate to pay all future claims in respect of business in force and accepted to June 30, 1981. The actuarial deficiency is estimated at approximately $210 million. The study shows that, unless corrected by an immediate infusion of funds, the deficiency will continue to increase due to the effect of interest charges.

This situation has resulted from the charging of inadequate premiums particularly on the Assisted Home Ownership and Assisted Rental Programs. These premiums are set out in the National Housing Act.

If the assumptions made in the actuarial study as to future trends are borne out by events the resulting deficit could lead to a claim on the Government of Canada as provided for in the National Housing Act.

(b) Claims in Process

Claims in process represent the estimated value of claims received and unpaid at the end of the year.

(c) Insurance in Force

The estimated amount of insurance in force at the end of the year was $26.8 billion (1980—$26.9 billion, restated).

4. Adjustment of Prior Years' Net Income

The adjustment to prior years' net income relates to the Corporation's investment in federal-provincial land holdings in the Province of Ontario and the sale proceeds resulting therefrom.

The bulk of the land holdings were transferred to the Province for development, marketing and administration early in 1970. Since that date there were inconsistencies between the Province's and the Corporation's accounting for the 75% equity in the land holdings and sale proceeds. As a result, the Corporation's share of sale proceeds and interest earnings on agreements for sale and mortgage accounts in prior years was undervalued by $8,525,000 in its books of account; applicable income tax is $4,117,000.

The after tax adjustment of $4,408,000 has been applied to 1980 in the amount of $1,028,000 and to 1979 and prior years in the amount of $3,380,000. This adjustment has been reflected by a restatement of the Statement of Operations and Reserve Fund for the year ended December 31, 1980.

5. Contingent Liabilities

In the normal course of operations, the Corporation is subject to legal claims the effect of which cannot be determined until they are settled. At December 31, 1981, the claims outstanding are not expected to have a result which would be significant in relation to the financial position of the Corporation.

6. Commitments

Commitments outstanding for loans and investments under Federal-Provincial agreements amounted to $0.8 billion at December 31, 1981 (1980 — $1.0 billion).

7. Comparative Figures

The 1980 comparative figures have been reclassified to conform to the statement presentation adopted in 1981.

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

LOANS
(in thousands of dollars)

SCHEDULE I

	Balance 31 December		Advances during the year	
	1981	1980	1981	1980
Market Housing				
Uninsured Loans:				
Homeowners (NHA 1944)	28	52		
Student Housing	389,684	397,133	14	1,262
Assisted Home Ownership Program:				
1976 program	95,233	99,924	17,636	28,019
1978 program	5,752	4,177	2,572	2,676
Assisted Rental Program	254,812	180,889	77,656	79,602
Accrued interest	10,726	10,711		
	756,235	692,886	97,878	111,559
Insured Loans:				
Homeowners and Rentals	956,010	1,032,558	4,423	5,541
Assisted Home Ownership Program	647,607	714,562	193	143
Accrued interest	14,011	14,228		
	1,617,628	1,761,348	4,616	5,684
	2,373,863	2,454,234	102,494	117,243
Social Housing				
Uninsured Loans:				
Non-Profit and Limited Dividend	2,317,659	2,327,541	13,161	53,112
Public Housing	2,596,477	2,544,571	43,467	154,208
Housing for Indians	26,953	15,053	12,536	6,677
Accrued interest	137,480	150,959		
	5,078,569	5,038,124	69,164	213,997
Rehabilitation and Conservation				
Uninsured Loans:				
Residential Rehabilitation Assistance Program	151,998	136,732	131,546	119,210
Accrued interest	1,653	1,478		
	153,651	138,210		
Community Services				
Uninsured Loans:				
Municipal Sewage Treatment projects	1,124,943	1,077,608	98,814	144,105
Land Assembly	146,603	146,628	5,476	14,486
Neighbourhood Improvement Program	29,893	22,175	7,148	6,809
Urban Renewal	31,183	33,050	1,700	1,028
Accrued interest	57,682	61,884		
	1,390,304	1,341,345	113,138	166,428
	8,996,387	8,971,913	416,342	616,878
Uninsured Loans	7,378,759	7,210,565	411,726	611,194
Insured Loans	1,617,628	1,761,348	4,616	5,684
	8,996,387	8,971,913	416,342	616,878

INVESTMENTS UNDER FEDERAL-PROVINCIAL AGREEMENTS
(in thousands of dollars)

SCHEDULE II

	Balance 31 December		Additions during the year		Recoveries during the year	
	1981	(Restated—Note 4) 1980	1981	(Restated—Note 4) 1980	1981	(Restated—Note 4) 1980
Rental housing	591,606	539,493	55,365	77,518	3,252	8,994
Land assembly	170,046	163,304	32,500	23,470	25,758	15,063
Rural and native housing	273,763	239,645	37,956	78,219	3,838	2,467
Co-operative housing	116,009	120,435	211	546	4,637	4,188
	1,151,424	1,062,877	126,032	179,753	37,485	30,712

CANADA MORTGAGE AND HOUSING CORPORATION—*Continued*

REAL ESTATE
(in thousands of dollars)

SCHEDULE III

	Balance 31 December		Additions during the year		Disposals during the year	
	1981	1980	1981	1980	1981	1980
Constructed by the Corporation or acquired from the Government of Canada						
Single houses	2,179	2,779	9	453	609	193
Row housing	2,354	2,708	24	13	378	1,525
Multiple dwellings	5,210	4,908	1,167	387	865	158
Acquired as a result of default						
Single houses	1,232	2,527	595	2,189	1,890	191
Row housing	16,505	24,726	2,290	8,706	10,511	14,816
Multiple dwellings	52,270	96,951	23,023	29,689	67,704	116,786
Demonstration projects	11,551	19,351	2,150	3,031	9,950	2,906
Vacant land	14,620	12,323	2,297	1,492		36
Leased land	1,238	1,299			61	20
Other	12,913	11,916	1,077	1,044	80	
Total, at cost	120,072	179,488	32,632	47,004	92,048	136,631
Accumulated depreciation	18,924	20,926				
	101,148	158,562				

BORROWINGS FROM THE GOVERNMENT OF CANADA
(in thousands of dollars)

SCHEDULE IV

	Balance 31 December		Borrowed during the year		Repaid during the year	
	1981	1980	1981	1980	1981	1980
For Investments						
Loans	8,927,949	8,933,229	452,500	542,500	457,780	392,731
Investments under federal-provincial agreements	1,031,051	979,869	105,500	144,000	54,318	23,970
Real estate	68,066	82,384	5,000	11,000	19,318	36,539
Accrued interest	88,210	89,093				
	10,115,276	10,084,575	563,000	697,500	531,416	453,240
For Mortgage Insurance Fund	329,300	175,000	154,300	167,400		52,400
Accrued interest	8,192	5,238				
	337,492	180,238				
	10,452,768	10,264,813	717,300	864,900	531,416	505,640

CANADA MORTGAGE AND HOUSING CORPORATION—*Concluded*

GRANTS, CONTRIBUTIONS AND SUBSIDIES

(in thousands of dollars)

SCHEDULE V

	Year ended 31 December	
	1981	1980
On Behalf of the Minister Responsible for the Canada Mortgage and Housing Corporation		
Market Housing		
Assisted Home Ownership Program	17,094	28,996
Assisted Rental Programs	29,715	24,952
Interest and Loan Losses	7,861	16,234
	54,670	70,182
Social Housing		
Public Housing Subsidies	320,326	262,664
Non-profit and Co-operative Assistance	73,451	34,768
Community Resource Groups	10,107	8,238
Interest and Land Lease Losses	18,880	18,917
	422,764	324,587
Rehabilitation and Conservation		
Residential Rehabilitation Assistance Program	125,749	106,818
Home Insulation Grants	62,084	212,906
Emergency Repair	996	1,128
Interest and Loan Losses	2,671	1,773
	191,500	322,625
Community Services		
Neighbourhood Improvement Program	22,907	29,722
Municipal Incentive Grants	3,255	16,240
Municipal Water and Sewage Loan Forgiveness	38,277	64,851
Community Service Contribution Program	208,524	86,223
Urban Renewal	3,066	3,611
Interest and Land Disposal Losses	3,214	2,575
	279,243	203,222
Research, Development, Demonstration and Information		
External Research	9,237	4,579
Information to Public	1,567	1,238
Internal Research Recoveries	10,992	9,508
Granville Island	740	1,321
Purchase and use of Solar Heating	309	62
	22,845	16,708
General Administration		
Real estate operating losses	8,853	14,724
Real estate disposal losses	27,458	44,696
Discount on mortgage sales		(142)
Summer youth employment	85	393
	36,396	59,671
	1,007,418	996,995
On Behalf of the Minister of Energy, Mines and Resources		
Home Insulation Grants	80,794	
Canada Oil Substitution Program	858	
	81,652	
Total Charged to the Government of Canada	1,089,070	996,995

CANADA POST CORPORATION
(Established by the Canada Post Corporation Act)

THE AUDITED FINANCIAL STATEMENTS FOR THE PERIOD FROM OCTOBER 16, 1981 TO MARCH 31, 1982
WERE NOT AVAILABLE AT DATE OF PRINTING

CANADIAN ARSENALS LIMITED

(*Incorporated under the Canada Business Corporations Act*)

THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1982
WERE NOT AVAILABLE AT DATE OF PRINTING

CANADIAN BROADCASTING CORPORATION

(Established by the Broadcasting Acts)

AUDITOR'S REPORT

THE CANADIAN BROADCASTING CORPORATION AND
THE HONOURABLE FRANCIS FOX, P.C., M.P.
MINISTER OF COMMUNICATIONS

I have examined the balance sheet of Canadian Broadcasting Corporation as at March 31, 1982 and the statements of income and expense, proprietor's equity account and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements give a true and fair view of the financial position of the Corporation as at March 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the change in the method of accounting for its participation in a joint venture as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

KENNETH M. DYE
Auditor General of Canada

Ottawa, Ontario
June 18, 1982

BALANCE SHEET AS AT MARCH 31, 1982

(in thousands of dollars)

ASSETS	1982	1981
Current		
Cash and treasury bills	12,931	18,044
Accounts receivable	42,223	31,187
Due from Canada	550	13,800
Engineering and production supplies	9,204	8,213
Programs completed and in process of production	42,175	36,910
Prepaid film and script rights and other expense	30,117	23,769
	137,200	131,923
Investment in a joint venture, at equity (Note 3)	5,084	
Mortgage receivable (Note 4)	5,500	
Other investments, at cost (Note 5)	352	352
	10,936	352
Fixed		
Land	37,926	37,351
Buildings	185,027	173,333
Technical equipment	404,664	385,191
Furnishings and equipment	22,225	19,278
Automotive	8,294	7,553
Leasehold improvements	1,120	712
Property under capital leases	294	1,466
	659,550	624,884
Deduct: accumulated depreciation and amortization	281,126	262,637
	378,424	362,247
Uncompleted capital projects	39,492	27,589
	417,916	389,836
	566,052	522,111

LIABILITIES	1982	1981
Current		
Accounts payable and accrued liabilities	118,290	112,314
Refundable balance of parliamentary appropriations (Note 6)	15	11
Due to Canada (Note 4)	5,066	
	123,371	112,325
Long-term		
Provision for employees' termination benefits	70,831	62,774
Advances from Canada (Note 7)	33,000	33,000
Due to Canada (Note 4)	5,500	
Obligations under capital leases (Note 8)	152	1,393
	109,483	97,167
	232,854	209,492
EQUITY OF CANADA		
Proprietor's Equity Account	333,198	312,619
	566,052	522,111

The accompanying notes and schedule A are an integral part of the financial statements.

Certified correct:

ARTHUR C. BOUGHNER
Vice-President, Finance

Approved on June 21, 1982 by the Board of Directors:

ALBERT W. JOHNSON
Director

JOHN A. YOUNG
Director

CANADIAN BROADCASTING CORPORATION—*Continued*

STATEMENT OF INCOME AND EXPENSE FOR THE YEAR ENDED MARCH 31, 1982
(in thousands of dollars)

	1982	1981	1982	1981
			(in cents)	
Expense				
National Broadcasting Service, program and distribution costs (see supporting Schedule A for details)	711,109	645,890	.90	.90
Radio Canada International, broadcasting service	12,620	11,092	.01	.01
Total broadcasting services	723,729	656,982	.91	.91
Corporate engineering service	7,576	6,488	.01	.01
Corporate management service	28,995	26,409	.04	.04
Commissions to agencies and networks	18,858	18,670	.03	.03
Selling expense	13,413	11,465	.01	.01
	792,571	720,014	1.00	1.00
Income				
Advertising	131,498	131,495		
Miscellaneous	12,213	9,921		
	143,711	141,416		
Excess of expense over income	648,860	578,598		
Deduct: expense not requiring an outlay of cash (Note 6)	45,886	47,533		
	602,974	531,065		
Parliamentary appropriations—Current	598,457	536,762		
Unexpended (overexpended) parliamentary appropriations—Current	(4,517)	5,697		
Appropriations carry-over—Prior years	12,494	6,797		
Appropriations carry-over—Current year	7,977	12,494		

The accompanying notes and schedule A are an integral part of the financial statements.

SCHEDULE OF PROGRAM AND DISTRIBUTION COSTS FOR THE YEAR ENDED MARCH 31, 1982
(in thousands of dollars) SCHEDULE A

	1982	1981	1982	1981
			(in cents)	
Programs				
English language				
Radio				
Network	35,179	31,346	.04	.04
Regional	37,832	34,517	.05	.05
Television				
Network	150,864	134,197	.19	.19
Regional	103,800	93,578	.13	.13
French language				
Radio				
Network	27,137	24,374	.03	.03
Regional	16,660	15,732	.02	.02
Television				
Network	118,130	113,943	.16	.16
Regional	32,584	27,412	.04	.04
	522,186	475,099	.66	.66
Distribution				
Radio				
Network distribution	10,941	10,655	.01	.02
Station transmission	16,164	16,004	.02	.02
Television				
Network distribution	38,058	36,771	.05	.05
Station transmission	23,996	24,599	.03	.03
Payments to private stations	11,593	11,731	.02	.02
	100,752	99,760	.13	.14
Operational management and services				
Programs and distribution				
Radio	20,279	16,338	.03	.02
Television	67,892	54,693	.08	.08
	88,171	71,031	.11	.10
Total program and distribution costs	711,109	645,890	.90	.90

STATEMENT OF PROPRIETOR'S EQUITY ACCOUNT FOR THE YEAR ENDED MARCH 31, 1982
(in thousands of dollars)

	1982	1981
Balance, beginning of year	312,619	23,934
Add:		
Loans from Canada and accrued interest deleted pursuant to Adjustment of Accounts Act		282,199
Net parliamentary appropriations—Capital (Note 6)	59,985	48,489
Parliamentary appropriations—Working capital (Note 6)	6,000	
Gain (loss) on disposal of fixed assets	4,997	(167)
Unexpended (overexpended) parliamentary appropriations—Operating	(4,517)	5,697
	379,084	360,152
Deduct: expense not requiring an outlay of cash Note 6)	45,886	47,533
Balance, end of year	333,198	312,619

The accompanying notes and schedule A are an integral part of the financial statements.

CANADIAN BROADCASTING CORPORATION—*Continued*

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1982
(in thousands of dollars)

	1982	1981
Funds provided		
Parliamentary appropriations		
Operating	598,457	536,762
Capital	60,000	48,500
Working capital	6,000	
	664,457	585,262
Advances from Canada		10,000
Disposal of fixed assets	1,729	395
	666,186	595,657
Funds applied		
Excess of expense over income	648,860	578,598
Deduct: items not requiring an outlay of funds		
Depreciation and amortization	35,673	34,717
Provision for employees' termination benefits	8,056	8,521
	605,131	535,360
Additions to fixed assets	61,725	48,885
Refundable balance of parliamentary appropriations—Capital	15	11
Investment in a joint venture	5,084	
	671,955	584,256
Increase (decrease) in working capital	(5,769)	11,401
Working capital, beginning of year	19,598	8,197
Working capital, end of year	13,829	19,598

The accompanying notes and schedule A are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1982

1. Authority and objective

The Canadian Broadcasting Corporation was established by the 1936, 1958 and 1966 Broadcasting Acts and is classified as a proprietary Crown corporation under Schedule D of the Financial Administration Act. The Corporation is an agent of Her Majesty and all property acquired by the Corporation is the property of Her Majesty.

The objective of the Corporation is to develop and provide a national broadcasting service for all Canadians in both official languages, in television and radio, and to provide an international service, both of which should be primarily Canadian in content and character.

2. Significant accounting policies

The financial statements of the Corporation have been prepared by management in accordance with generally accepted accounting principles consistently applied. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

(a) Engineering and production supplies

The inventory of engineering and production supplies is stated at the lower of average cost and replacement cost.

(b) Programs completed and in process of production

The inventory of programs completed and in process of production is stated at cost. Cost includes the cost of goods and services, direct labour and the share of overhead expenses applicable to each program. The total program cost is charged to operations upon broadcast or when programs are determined unusable.

(c) Prepaid film rights

The Corporation enters into contracts for film broadcasting rights. As payments are made under the terms of each contract they are reflected in the accounts as prepaid film rights. The prepaid film rights are then charged to operations as the films are broadcast or determined unusable.

(d) Fixed assets

Fixed assets are stated at cost. Cost includes material, engineering services, direct labour and related overhead. Depreciation is calculated on the straight-line method based on the estimated useful lives of the assets, as follows:

Buildings	33 years
Technical equipment:	
Transmitters and towers	20 years
Other	10 years
Furnishings and equipment	10 years
Automotive	5 years

Leasehold improvements over $200,000 are capitalized and amortized over the term of the lease to a maximum period of five years.

Amounts included in uncompleted capital projects are transferred to the appropriate fixed asset classification upon completion, and are then depreciated according to the Corporation's policy.

(e) Leases

Leases are classified as capital or operating leases. Assets recorded under capital leases are amortized on a straight-line method using rates based on the estimated useful life of the assets or based on the lease term as appropriate. Obligations recorded under capital leases are reduced by rental payments net of imputed interest.

(f) Employees' termination benefits

Employees' termination benefits are provided in the accounts as benefits accrue to employees under their respective terms of employment.

(g) Pension plan

The cost of funding current service pension benefits is charged to operations as incurred. Unfunded liabilities as determined by actuarial valuation are funded by payments which are charged to operations over periods recommended by the actuaries and in accordance with regulatory requirements. Additional payments are charged to operations as made.

3. Investment in a joint venture

The Corporation has changed its method of accounting for its participation in the joint venture, Hockey Night in Canada. Effective 1981/82 this investment is accounted for on the equity method. This change has not been applied retroactively. The investment account is adjusted for the Corporation's share of profit or loss on the venture, which is taken into income or expense.

4. Mortgage receivable and due to Canada

On February 15, 1982, the Corporation finalized a sale of land in the City of North York, Ontario, as approved by Order in Council P.C. 1980-2690, for an amount of $10.5 million, and in conformity with an agreement reached between the Corporation

CANADIAN BROADCASTING CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1982—*Concluded*

and Treasury Board, all proceeds from the sale, including interest on the mortgage principal, are to be remitted to the Receiver General for Canada.

The terms of sale included an agreement that the Corporation receive cash of $5 million and grant to the purchaser a mortgage in the amount of $5.5 million, becoming due in total on February 15, 1985. Interest of 10% on the principal sum is to accrue, and become payable, each quarter year, the first payment being due on May 15, 1982.

5. Other investments

	(in thousands of dollars)	
	1982	1981
Télévision St. François Inc.— Preferred shares	350	350
Master FM Limited—Common shares	2	2
	352	352

6. Proceeds from parliamentary appropriations

	(in thousands of dollars)			
	Operating	Capital	Working Capital	Total
Payment to the Corporation in providing a broadcasting service	598,457	60,000	6,000	664,457
Refundable to Canada		15		15
Proceeds retained March 31/82	598,457	59,985	6,000	664,442
March 31/81	536,762	48,489		585,251

The following have been expensed in the accounts of the Corporation on an accrual basis which differs from the basis on which they are funded by parliamentary appropriations, and accordingly, as they are not funded by current annual appropriations, they have been transferred to the Proprietor's Equity Account:

	(in thousands of dollars)	
	1982	1981
Depreciation and amortization	35,673	34,717
Provision for employees' termination benefits and vacation pay	10,213	12,816
	45,886	47,533

As at March 31, 1982, the operating parliamentary appropriations carried over, amounting to $7,977,000 ($12,494,000 in 1981), were retained by the Corporation and included in the Proprietor's Equity Account.

7. Advances from Canada

Advances are made for working capital purposes and are free of interest. These advances become repayable to the Receiver General for Canada when cash and treasury bills exceed the Corporation's requirements for working capital.

8. Lease obligations

The assets and related obligations for capital leases are recorded at an amount equal to the present value of future lease payments.

The future significant minimum lease payments under capital and operating leases that have initial non-cancellable lease terms in excess of one year as of March 31, 1982, are as follows:

	(in thousands of dollars)	
	Capital Leases	Operating Leases
1983	86	38,762
1984	72	31,422
1985	15	24,737
1986	2	23,001
1987		21,927
1988-2061		55,618
Total future minimum lease payments	175	195,467
Deduct: amount representing interest	23	
Long-term obligations under capital leases	152	

9. Commitments

The Corporation has entered into commitments for film rights amounting to approximately $42.6 million ($40.5 million in 1981).

10. Pension plan

The Corporation's pension plan covers substantially all continuing employees. The total charge against operations for the plan for the year ended March 31, 1982 was $26.5 million ($24.0 million for the year ended March 31, 1981). As at March 31, 1982 the present value of the estimated unfunded liabilities was $97.6 million based on the actuarial valuation at December 31, 1980. Of this amount:

—$90.8 million related to unfunded liabilities existing at December 31, 1976 to be liquidated over 30 years;

—$6.8 million arose during 1977 to be liquidated over periods not exceeding 15 years.

11. Contingencies

In the ordinary course of business, various claims and lawsuits have been brought against the Corporation. In the opinion of management, the losses, if any, which may result from the settlement of these matters are not likely to be material and accordingly no provision has been made in the accounts of the Corporation.

CANADIAN COMMERCIAL CORPORATION

(Established by the Canadian Commercial Corporation Act)

AUDITOR'S REPORT

THE HONOURABLE MARK MACGUIGAN, P.C., M.P.
SECRETARY OF STATE FOR EXTERNAL AFFAIRS

I have examined the balance sheet of the Canadian Commercial Corporation as at March 31, 1982 and the statements of operations, retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

E. R. ROWE
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Ontario
June 4, 1982

BALANCE SHEET AS AT MARCH 31, 1982

ASSETS	1982	1981
	$	$
Current		
Cash and short-term bank deposits	23,417,613	16,130,575
Accounts receivable		
Foreign governments (Note 3(a))	46,010,980	48,475,811
Government of Canada (Note 3(b))	1,839,749	11,515,284
Current portion of loan to supplier (Note 6)	16,059	15,150
Notes receivable		87,976
Other	295,945	277,877
	48,162,733	60,372,098
Progress claims paid or due	200,101,839	139,481,289
Advances to suppliers	5,926,649	10,127,183
Total current assets	277,608,834	226,111,145
Loan to supplier, net of current portion (Note 6)	140,763	156,822
	277,749,597	226,267,967

LIABILITIES	1982	1981
	$	$
Current		
Accounts payable and accrued liabilities	37,345,578	37,078,717
Advances received from customers (Note 5)	11,509,279	16,673,706
Progress payments received or due	200,101,839	139,481,289
Due to Government of Canada	2,445,607	843,003
Due to the Defence Production Revolving Fund	1,019,906	1,347,211
Provision for additional contract costs (Note 4)	164,000	4,000,000
Loans payable to Canada		7,000,000
Total current liabilities	252,586,209	206,423,926
EQUITY OF CANADA		
Contributed capital (Note 1)	20,000,000	20,000,000
Retained earnings	5,163,388	(155,959)
	25,163,388	19,844,041
	277,749,597	226,267,967

Certified correct:

F. O. KELLY
Comptroller

Approved by the Board:

R. L. GILLEN
President

JOHN H. DICKEY
Director

CANADIAN COMMERCIAL CORPORATION—*Continued*

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Contract revenues and costs		
Contract billings	329,088,045	292,040,976
Fees and other contract income		24,153
Total contract revenue	329,088,045	292,065,129
Cost of contract billings	329,088,045	292,040,976
Contribution to expenses		24,153
Expenses		
Services rendered by Supply and Services Canada	11,783,503	9,494,971
Administrative costs	1,574,307	1,097,214
Bad debts expense	156,000	(3,000)
Additional contract costs	1,553,715	3,219,432
Interest expense	125,283	608,689
Other	7,590	20,159
Total expenses	15,200,398	14,437,465
Other income		
Interest income	2,528,214	1,292,407
Gain on foreign exchange	500,866	33,753
	3,029,080	1,326,160
Net cost of operations	12,171,318	13,087,152
Parliamentary appropriations	17,490,665	13,811,617
Operating surplus before extraordinary items	5,319,347	724,465
Extraordinary items		
Legal fees and expenses incurred by the Department of Justice (Note 7(b))	(1,226,335)	
Supplementary parliamentary appropriation for reimbursement of legal fees and expenses (Note 7(b))	1,226,335	
Gain on sale of investment in supplier		263,927
Net surplus	5,319,347	988,392

STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Balance at beginning of the year	(155,959)	(1,144,351)
Net surplus	5,319,347	988,392
Balance at end of the year	5,163,388	(155,959)

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Working capital at beginning of the year	19,687,219	15,683,676
Working capital provided		
Operating surplus before extraordinary items	5,319,347	724,465
Sale of investment in supplier		263,928
Current portion of loan to supplier	16,059	15,150
Increase in contributed capital		10,000,000
	5,335,406	11,003,543
Working capital applied		
Long-term loans from Government of Canada becoming current		7,000,000
Increase in working capital	5,335,406	4,003,543
Working capital at end of the year	25,022,625	19,687,219

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1982

1. Operations

The Corporation acts primarily as the contracting agency when other countries and international agencies wish to purchase products and services from Canada on a government-to-government basis.

Contracts are made with customer governments and corresponding contracts are entered into with Canadian firms by the Corporation.

Supply and Services Canada provides contracting services to the Corporation at Treasury Board approved, pre-determined rates, applied to the amounts of contracts procured, and provides certain administrative functions at cost.

If the Minister so directs, the Corporation transfers to the Receiver General for Canada any surpluses considered to be in excess of requirements. Reimbursement for realized deficits is contingent on parliamentary appropriations.

The Corporation is not liable for the payment of income taxes.

The Corporation has no capital stock. Contributed capital of $20,000,000 comprises amounts received from Canada under subsection 8(1) of the Canadian Commercial Corporation Act.

2. Significant accounting policies

(a) Contract billings

Sales are recorded at time of delivery except in the case of contracts involving progress payments; in these cases, sales are recorded at the time progress payments become due. Since title to work-in-process related to progress claims has not passed to customers, the Corporation continues to recognize assets and liabilities resulting from progress payments and receipts until delivery is made.

(b) Furniture and equipment

Furniture and equipment are charged to expense in the year of acquisition. As at March 31, 1982 the aggregate original cost of furniture and equipment on hand amounted to $118,000 ($114,000 in 1981).

(c) Foreign currency

All assets and liabilities have been translated at the exchange rate on March 31, 1982. Income and costs have been converted at the average exchange rate for the month of the transaction. Gains and losses resulting from foreign currency transactions including translation, are shown in the Statement of Operations.

CANADIAN COMMERCIAL CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1982— *Concluded*

3. Accounts receivable

(a) Foreign governments

Since the Corporation's sales are on a government-to-government basis the settlement of some accounts may be protracted. Provision for bad debts is based on a review of all outstanding accounts with foreign governments. In respect of this review, the Corporation recognizes that future economic and political conditions in some of the debtor countries are subject to forces which are unpredictable. Accordingly, delays in payment which may occur from time to time are not necessarily indicative of a need to make provision for future losses.

The Corporation has provided $933,000 as at March 31, 1982 ($777,000 in 1981) against the possible non-collection of certain receivables.

(b) Government of Canada

Expenses and working capital payments are funded by Parliamentary appropriation. As at March 31, expenses of $1,839,749, applicable to the 1981-82 appropriation, had not yet been paid by the Government of Canada.

4. Contractual commitments

At March 31, 1982 the Corporation was committed to fulfill contracts with customers amounting to $854 million ($559 million in 1981).

The Corporation is committed to its customers for the performance of its suppliers and thus may incur additional costs on default of a supplier. A provision of $164,000 is recorded for additional contract costs which it is estimated may be realized if certain suppliers are unable to meet contractual obligations.

5. Advances received from customers

Certain advances received from customers amounting to $564,334 ($478,220 in 1981) bear interest for customers' accounts at prevailing short-term bank deposit rates.

6. Loan to supplier

During 1971 the Corporation entered into a loan agreement with a supplier. The original agreement has been subsequently amended to provide that the Corporation controls the supplier's ability to obtain financing and to change ownership. The loan is non-interest bearing, unsecured and repayable in annual instalments of increasing amounts terminating in 1990.

7. Contingent liabilities and extraordinary items

(a) The Corporation is named as defendant in a legal action instituted in 1975 claiming damages for alleged losses resulting from the termination of a portion of a contract. Total damages claimed are $6.8 million plus accrued interest and costs. The action is being contested and the ultimate outcome is uncertain. In light of the advice of counsel, management is of the opinion that no provision for settlement is required.

(b) In accordance with Treasury Board decisions, the Corporation was directed to reimburse the Department of Justice for legal fees and expenses they incurred as a result of action taken against the Corporation related to the contract referred to above. These costs are funded by parliamentary appropriation and the Treasury Board decisions recognize that the Corporation is not in a position to validate the expenditures made under the authority of the Minister of Justice.

(c) The Corporation is named as defendant in a legal action recently instituted claiming damages in the amount of $0.5 million for alleged losses resulting from the Corporation action in 1980 to take possession of certain goods of a company, to whom the plaintiff was a supplier, in order to complete a contract. Based on the advice of counsel, management is of the opinion that no provision for settlement is required.

8. Representative agreements

The Corporation has entered into a representative agreement with Dismatica Industrial C.A. of Venezuela to whom fees of $10,953 were paid during the year ($9,079 in 1981).

Representative agreements are also in effect with Sunda Karya Corporation, Indonesia P.T. and Luis Fafie & CIA SA, Honduras, but no payments under these agreements have been made or are due.

CANADIAN DAIRY COMMISSION

(Established by the Canadian Dairy Commission Act)

AUDITOR'S REPORT

THE HONOURABLE EUGENE FRANCIS WHELAN, P.C., M.P.
MINISTER OF AGRICULTURE

I have examined the balance sheet of the Canadian Dairy Commission as at July 31, 1981 and the statements of retained earnings, operations, marketing operations supported by producers and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements give a true and fair view of the financial position of the Commission as at July 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Commission, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers except that producer levies have been instituted without benefit of regulation and are, therefore, ultra vires the Canadian Dairy Commission.

E. R. ROWE
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Ontario
January 25, 1982

BALANCE SHEET AS AT JULY 31, 1981

(in thousands of dollars)

ASSETS	1981	1980
Deposit with the Receiver General for Canada		3
Deposit and trust account		9,246
Accounts receivable		
Trade	30,132	19,133
Government of Canada	70,566	70,753
Producer levies	30,483	29,277
Inventories (Note 3)	103,440	91,413
Prepaid capital assistance (Note 4)	5,925	
	240,546	219,825

LIABILITIES	1981	1980
Accounts payable and accrued liabilities	58,423	27,585
Levies repayable		15,340
Subsidies payable to producers	67,372	67,142
Loans from Government of Canada (Note 5)	105,347	114,513
	231,142	224,580
RETAINED EARNINGS		
Retained earnings (deficit) (Note 6)	9,404	(4,755)
	240,546	219,825

Approved by the Commission:

GILLES CHOQUETTE
Chairman

C. MacISAAC
Commissioner

PAUL SIMARD
Director of Finance

CANADIAN DAIRY COMMISSION—*Continued*

STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED JULY 31, 1981 (in thousands of dollars)

	1981	1980
Retained earnings (deficit) at beginning of year	(4,755)	601
Cost of operations	284,307	296,368
	289,062	295,767
Financing by Government of Canada (Note 7)		
Agricultural Stabilization Board	292,885	283,141
Parliamentary Appropriations Agriculture Votes 40 and 40b	5,298	7,599
Services provided by government departments without charge	283	272
	298,466	291,012
Retained earnings (deficit) at end of year	9,404	(4,755)

STATEMENT OF OPERATIONS FOR THE YEAR ENDED JULY 31, 1981 (in thousands of dollars)

	1981	1980
Subsidies to producers of milk and cream used for industrial purposes (Schedule D)	278,291	269,544
Expenses related to marketing operations		
Interest on loans from Canada net of interest on credit sales (Note 5)	7,826	7,308
Storage	3,109	3,057
Freight	2,795	2,147
Handling	395	379
Commissions		111
Miscellaneous	469	595
	14,594	13,597
Product promotion	2,100	4,500
Research	342	651
Administrative expense (Schedule A)	3,139	2,720
Expenditures financed by Government of Canada	298,466	291,012
Net income (loss) on marketing operations supported by producers	14,159	(5,356)
Cost of operations	284,307	296,368

STATEMENT OF MARKETING OPERATIONS SUPPORTED BY PRODUCERS FOR THE YEAR ENDED JULY 31, 1981 (in thousands of dollars)

	1981	1980
Sales	276,881	214,056
Cost of sales	370,762	314,453
Loss on sales	93,881	100,397
Export and domestic assistance	18,911	13,609
Loss before capital assistance and producer levies	112,792	114,006
Capital assistance (Note 4)	7,699	1,626
Loss before producer levies	120,491	115,632
Recovered through producer levies		
Industrial milk (Schedule B)	126,904	99,323
Fluid milk (Schedule C)	7,746	10,953
	134,650	110,276
Net income (loss) (Schedule E)	14,159	(5,356)

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED JULY 31, 1981 (in thousands of dollars)

	1981	1980
Funds provided		
Operations		
Agricultural Stabilization Board	292,885	283,141
Parliamentary appropriations	5,298	7,599
Cost of operations	(284,307)	(296,368)
Services provided by Government departments without charge	283	272
	14,159	(5,356)
Loans from Government of Canada	242,212	207,314
Increase in amounts payable	15,728	
Decrease in amounts receivable		11,899
Decrease (increase) deposit with the Receiver General for Canada	3	(3)
	272,102	213,854
Funds applied		
Loans repaid to Government of Canada	251,378	206,315
Increase in inventories	12,027	7,228
Capital assistance	5,925	
Increase in amounts receivable	2,772	
Decrease in amounts payable		311
	272,102	213,854

Funds are defined as deposit with the Receiver General for Canada.

NOTES TO FINANCIAL STATEMENTS JULY 31, 1981

1. Objectives

The objectives of the Canadian Dairy Commission as established by the Canadian Dairy Commission Act 1966-67 are "to provide efficient producers of milk and cream with the opportunity of obtaining a fair return for their labour and investment and to provide consumers of dairy products with a continuous and adequate supply of dairy products of high quality".

2. Significant accounting policies

(a) Acquisition of furniture and equipment is charged to administrative expense in the year of purchase.

(b) Inventories are valued at the lower of cost and net realizable value.

(c) The estimated loss from commitments to purchase products at Canadian support prices is charged to marketing operations supported by producers.

(d) Trade accounts receivable in foreign currencies have been translated into Canadian dollars at rates prevailing at year end. Income is charged or credited with all exchange differences.

3. Inventories

The inventories are valued at the lower of cost and net realizable value and consist of:

	1981	1980
	$	$
Skim milk powder	41,090,000	19,530,000
Butter	49,213,000	56,560,000
Other related dairy products	13,137,000	15,323,000
	103,440,000	91,413,000

CANADIAN DAIRY COMMISSION—*Continued*

NOTES TO FINANCIAL STATEMENTS
JULY 31, 1981—*Concluded*

These inventories have been adjusted as follows:

Skim milk powder

Prices for surplus skim milk powder on the world market are lower than on the domestic market, resulting in the estimated net realizable value of the inventory as at July 31, 1981 being $22,405,000 ($20,957,000 in 1980) less than the Canadian support price.

Other related dairy products

The inventory includes evaporated milk and whole milk powder and the estimated net realizable value of the inventory as at July 31, 1981 is $5,678,000 ($4,689,000 in 1980) less than acquisition cost.

4. Capital assistance

To meet the export market requirements of 10% of Canadian requirements or a maximum of 4.4 million hectolitres of milk in consumer size as agreed by the Canadian Milk Supply Management Committee and agreed by Cabinet, the Canadian Dairy Commission has encouraged the construction of two processing plants for evaporated milk and one processing plant for instantized whole milk powder.

The Canadian Dairy Commission is purchasing these products from these plants at a price higher than the basic price in order to reimburse them over a three year period for capital investment costs.

These investments will amount to $20.5 million and will be reduced to $15.0 million with the payment of grants from provincial and federal governments and the repayment of residual value of buildings and equipment.

5. Loans from Government of Canada

Loans from Canada obtained to finance the purchase of dairy products bear interest rates varying from 10.875% to 15.625% per annum. There are no specific terms of repayment. Interest, calculated on a simple basis, is paid at the time of any principal repayment. Interest expense on loans from Canada was $8,183,000 for the year and the accrued interest was $1,367,000 at July 31, 1981.

6. Surplus/deficit policy

Producers are responsible for the cost of disposal of surplus products, subject to a commitment by the federal government to continue to accept responsibility for major year-end deficits in the export account resulting from unanticipated changes in the export market or Canada's currency exchange rate. Producers are fully responsible however to cover all losses on special export production under the export quota program.

Surplus in the export account up to $10 million is not to be refunded to producers nor by any adjustment of levy rates in the following year. The treatment of any excess over $10 million is to be determined by the Canadian Milk Supply Management Committee.

7. Financing

Agriculture Votes 40 and 40b which cover program expenditures for the Commission lapsed $580,000 in 1981 ($255,000 in 1980).

Funding to cover subsidies and marketing expenses is provided by a contribution from the Agricultural Stabilization Board through Agriculture Vote 20. The funds provided through this Vote amounted to $292,885,000 ($283,141,000 in 1980), of which $278,291,000 related to subsidies ($269,544,000 in 1980) and $14,594,000 related to marketing expenses ($13,597,000 in 1980).

8. Outstanding commitments

As at July 31, 1981, the Commission is committed to purchase skim milk powder and other related products produced prior to July 31, 1981 at the Canadian support prices in an amount of approximately $20,264,000. The loss which may result from these purchases at higher than export prices has been estimated to be approximately $7,565,000. The amount of this estimated loss has been charged to the marketing operations supported by producers and is included in accounts payable and accrued liabilities.

9. Contingent liability

At July 31, 1981, the Commission was a defendant in a lawsuit amounting to $1,800,000. The lawsuit resulted from a dispute over the sale of butteroil in 1976.

10. Agents' commissions

The Commission has used the services of agents for sales in connection with marketing of dairy products on the world market. Commissions are charged to cost of sales on the Statement of Marketing Operations Supported by Producers.

Commissions paid or payable are as follows:

Date of Appointment	Name of Agent	Market Area	1981	1980
			$	$
November 1976	Coop Fédérée de Québec	Algeria	1,677,000	929,000
July 1979	Intercontinental	Mexico	751,000	271,000
			2,428,000	1,200,000

CANADIAN DAIRY COMMISSION—*Concluded*

ADMINISTRATIVE EXPENSE
FOR THE YEAR ENDED JULY 31, 1981
(in thousands of dollars)

SCHEDULE A

	1981	1980
Salaries	1,454	1,068
Professional and special services	394	464
Transportation and communications	319	280
Data processing and cheque issue services	283	272
Rentals	198	165
Remuneration of members of the Commission	135	120
Audit Services Bureau fees	131	126
Other personnel costs	125	169
Utilities, materials and supplies	44	46
Acquisition of furniture and equipment	33	8
Repairs and maintenance	17	2
Miscellaneous	6	
	3,139	2,720

LEVIES ON INDUSTRIAL MILK
FOR THE YEAR ENDED JULY 31, 1981
(in thousands)

SCHEDULE B

	Milk Shipments	In Quota @ $2.80 Hectolitre	Export @ $0.16 Hectolitre	Total
	(in Litres)	$	$	$
Prince Edward Island	72,357	2,026	116	2,142
Nova Scotia	56,617	1,585	91	1,676
New Brunswick	38,397	1,075		1,075
Quebec	2,215,056	62,105	3,544	65,649
Ontario	1,325,023	37,145	2,120	39,265
Manitoba	150,247	4,207		4,207
Saskatchewan	76,061	2,130		2,130
Alberta	225,436	6,312		6,312
British Columbia	150,274	4,208	240	4,448
	4,309,468	120,793	6,111	126,904

LEVIES ON FLUID MILK
FOR THE YEAR ENDED JULY 31, 1981
(in thousands)

SCHEDULE C

	Sales	Levies*
	(in Litres)	$
Prince Edward Island	15,804	48
Nova Scotia	112,199	338
New Brunswick	70,379	209
Quebec	625,792	1,871
Ontario	983,761	2,977
Manitoba	103,191	313
Saskatchewan	94,112	277
Alberta	260,173	788
British Columbia	310,626	925
	2,576,037	7,746

*Calculated at 5% of subsidy rate of $6.03 per hectolitre of sales.

SUBSIDIES TO PRODUCERS OF MILK AND CREAM
(BASED ON BUTTERFAT USED FOR INDUSTRIAL PURPOSES)
FOR THE YEAR ENDED JULY 31, 1981
(in thousands of dollars)

SCHEDULE D

	Shipments	Amount
	(thousands of kilograms)	
Prince Edward Island	2,927	4,903
Nova Scotia	2,259	3,784
New Brunswick	1,732	2,901
Quebec	79,666	133,440
Ontario	53,492	89,600
Manitoba	6,500	10,889
Saskatchewan	4,047	6,778
Alberta	10,000	16,750
British Columbia	5,520	9,246
	166,143	278,291

MARKETING OPERATIONS BY PRODUCT
FOR THE YEAR ENDED JULY 31, 1981
(in thousands of dollars)

SCHEDULE E

	Butter	Skim Milk Powder	Evaporated Milk	Others*	Total
Sales	89,954	80,889	104,173	1,865	276,881
Cost of sales	86,734	144,183	130,496	9,349	370,762
Loss (gain) on sales	(3,220)	63,294	26,323	7,484	93,881
Export and domestic assistance	26	11,804	3,598	3,483	18,911
Loss (gain) before capital assistance and producer levies	(3,194)	75,098	29,921	10,967	112,792
Capital assistance (Note 4)					7,699
Loss before producer levies					120,491
Producer levies					134,650
Net income					14,159

Volume in millions

	Kilograms	Kilograms	Cases	Kilograms
Sales	26.2	63.4	6.7	1.0
Purchases	22.2	71.0	6.2	3.1

*Other products include cheese and whole milk powder.

CANADIAN FILM DEVELOPMENT CORPORATION

(Established by the Canadian Film Development Corporation Act)

AUDITOR'S REPORT

THE HONOURABLE FRANCIS FOX, P.C., M.P.
MINISTER OF COMMUNICATIONS

I have examined the balance sheet of the Canadian Film Development Corporation as at March 31, 1982 and the statements of operations, equity of Canada and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements give a true and fair view of the financial position of the Corporation as at March 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in the method of accounting for investments in feature films as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

KENNETH M. DYE
Auditor General of Canada

Ottawa, Ontario
June 3, 1982

BALANCE SHEET AS AT MARCH 31, 1982

ASSETS	1982	1981
	$	$
Current		
Loans to producers	1,732,330	1,318,225
Parliamentary appropriation receivable (Note 4)	2,613,553	
Accounts receivable	201,337	245,244
Prepaid expenses	18,460	14,195
	4,565,680	1,577,664
Loans to producers		328,993
Fixed assets		
Furniture and equipment	102,883	91,979
Leasehold improvements	35,862	33,110
	138,745	125,089
Accumulated depreciation	87,832	73,491
	50,913	51,598
	4,616,593	1,958,255

LIABILITIES	1982	1981
	$	$
Current		
Accounts payable	48,995	30,256
Due to Canada		395,510
	48,995	425,766
Due to Canada (Note 4)	4,000,000	
Accrued employee termination benefits	44,692	47,529
	4,093,687	473,295
EQUITY OF CANADA		
Equity of Canada (Note 3)	522,906	1,484,960
	4,616,593	1,958,255

Approved on behalf of the Corporation:

DAVID P. SILCOX
President

Approved by Management:

ANDRÉ LAMY
Executive Director

CANADIAN FILM DEVELOPMENT CORPORATION—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Expenses		
Assistance to English production (Note 5)	2,672,738	2,873,764
Assistance to French production (Note 5)	1,420,588	1,394,586
Assistance to marketing and distribution (Note 5)	405,561	573,644
Assistance to the development of the industry (Note 5)	276,215	422,614
Administration	560,459	544,426
	5,335,561	5,809,034
Revenues		
Interest on loans to producers	196,907	228,784
Management fees	26,600	254,920
	223,507	483,704
Cost of operations for the year	5,112,054	5,325,330

STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Balance at beginning of the year		
As previously reported	2,375,219	3,583,256
Write-off of investments in feature films (Note 3)	890,259	865,966
As restated	1,484,960	2,717,290
Parliamentary appropriation for operations	4,150,000	4,093,000
	5,634,960	6,810,290
Cost of operations for the year	5,112,054	5,325,330
Balance at end of the year	522,906	1,484,960

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Funds provided		
Parliamentary appropriation		
Operations	4,150,000	4,093,000
Interim financing to film producers and distributors (Note 4)	4,000,000	
	8,150,000	4,093,000
Funds applied		
Operations		
Cost of operations for the year	5,112,054	5,325,330
Items not requiring an outlay of funds		
Write-off of loans to producers maturing beyond one year	(328,993)	(406,928)
Depreciation	(14,900)	(13,555)
Decrease (increase) in accrued employee termination benefits	2,837	(5,701)
	4,770,998	4,899,146
Loans to producers maturing beyond one year		102,500
Acquisition of fixed assets	14,215	25,204
	4,785,213	5,026,850
Increase (decrease) in working capital	3,364,787	(933,850)
Working capital at beginning of the year	1,151,898	2,085,748
Working capital at end of the year	4,516,685	1,151,898

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1982

1. Authority and activities

The Corporation was established in 1967 under the Canadian Film Development Corporation Act with the objective of fostering and promoting the development of a feature film industry in Canada. To achieve its objective, the Corporation can invest in Canadian feature film productions in return for a share in the proceeds from such productions, make interest bearing loans, grant awards for outstanding accomplishments in such productions, make grants to film makers and technicians resident in Canada, and advise and assist producers in the distribution and administrative functions of such productions.

The Corporation is a Crown corporation named in Schedule C of the Financial Administration Act.

2. Significant accounting policies

(a) Loans to producers

The Corporation can advance funds to producers in the form of reimbursable loans. These loans are shown on the balance sheet at their face value, less an allowance for losses.

(b) Investments in feature films

The Corporation can advance funds to producers in return for a share in the proceeds from such productions. These advances are expensed as assistance in productions.

All proceeds subsequently received, up to the amount of the related investment, are credited to operations as a reduction of investments made during the year. Any amount in excess would be accounted for as revenues.

(c) Fixed assets

Fixed assets are recorded at cost.

Depreciation on furniture and equipment is provided for at 20% per annum, using the diminishing balance method. Leasehold improvements are amortized under the straight-line method, based on the duration of the leases.

(d) Parliamentary appropriation

The parliamentary appropriation with respect to operations is credited to the Equity of Canada in the year to which it applies. The unused cumulative balance is presented on the balance sheet as a parliamentary appropriation receivable; the cumulative amount received in excess of disbursements is reflected as due to Canada.

(e) Revenues

Interest from loans to producers and management fees are recorded on the accrual basis.

(f) Employee termination benefits

On termination of employment, employees of the Corporation are entitled to certain benefits provided for under their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

(g) Pension plan

The employees of the Corporation participate in the superannuation plan administered by the Government of Canada. The employees and the Corporation contribute equally to the cost of the plan. This contribution represents the total liability of the Corporation. Contributions in respect of current service are expensed during the year in which services are rendered. With respect to admissible past service, contributions are expensed when paid; the terms of payment are set by the applicable purchase conditions, generally over the number of years of service remaining prior to retirement.

CANADIAN FILM DEVELOPMENT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1982—*Concluded*

3. Change in accounting policy

During the year the Corporation modified retroactively its accounting policy pertaining to investments in feature films which are now expensed during the year the investment is made (Note 9).

Previously, investments in feature films were shown on the balance sheet at the lower of cost and the estimated net realizable value. Any write-down was taken into account in the statement of operations.

This change has had the retroactive effect of increasing the cost of operations for the year ended March 31, 1981 by $24,293 and that of prior years by $865,966.

4. Interim financing to film producers and distributors

A supplementary parliamentary appropriation of $4,000,000 has been voted for the year 1982 for interim financing advanced by the Corporation to film producers and distributors. The Corporation intends to reimburse this amount in accordance with terms to be determined with the Treasury Board of Canada. Consequently, it has recorded this amount as a non-current debt to Canada.

As at March 31, 1982 the Corporation had drawn $1,468,300 of this supplementary parliamentary appropriation. The balance available of $2,531,700 is included in current assets as a parliamentary appropriation receivable.

5. Assistance programs

Program expenses include the following elements:

	1982	1981
	$	$
Write-off of loans to producers	1,766,751	1,515,990
Investments in feature films	2,374,889	3,347,893
	4,141,640	4,863,883
Proceeds from feature films	270,967	416,393
	3,870,673	4,447,490

6. Depreciation

Depreciation of fixed assets amounting to $14,900 ($13,555 in 1981) has been charged to the year's operations.

7. Commitments

As at March 31, 1982, the Corporation was committed under contractual agreements to advance funds totalling $200 ($129,135 as at March 31, 1981) as reimbursable loans and $259,744 ($344,732 as at March 31, 1981) as investments.

The Corporation has entered into long-term leases for the rental of office space and equipment used in its operations. The aggregate minimum annual rentals which will be paid during subsequent years are as follows:

	$
1982-83	139,519
1983-84	128,750
1984-85	72,432
	340,701

8. Contingency

As at March 31, 1982, legal proceedings have been instituted against the Corporation for an amount of $115,000 for not having signed a loan agreement. The case has not yet been tried. Management is of the opinion that the outcome of this lawsuit will have no significant negative impact on the Corporation's financial position; therefore no amount has been provided in the accounts.

9. Comparative figures

Some of the 1981 comparative figures have been restated to conform with the presentation adopted for 1982, including the adjustment with regard to the change in accounting policy described in Note 3.

CANADIAN LIVESTOCK FEED BOARD

(Established under the Livestock Feed Assistance Act)

AUDITOR'S REPORT

THE HONOURABLE EUGENE F. WHELAN, P.C., M.P.
MINISTER OF AGRICULTURE
AND
THE CANADIAN LIVESTOCK FEED BOARD

I have examined the balance sheet of the Canadian Livestock Feed Board as at March 31, 1982 and the statements of operations, equity of Canada and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements give a true and fair view of the financial position of the Board as at March 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Board, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

KENNETH M. DYE
Auditor General of Canada

Ottawa, Ontario
June 7, 1982

BALANCE SHEET AS AT MARCH 31, 1982

ASSETS	1982	1981	LIABILITIES	1982	1981
	$	$		$	$
Current			Current		
Accounts receivable	5,472	8,916	Accounts payable	63,854	95,150
Parliamentary appropriations receivable	1,740,224	2,609,364	Contributions payable	1,969,806	3,154,871
	1,745,696	2,618,280		2,033,660	3,250,021
Amounts receivable under the inland elevator construction assistance program (Note 3)	1,046,796	1,001,969	Provision for employee termination benefits	95,502	72,722
				2,129,162	3,322,743
			EQUITY		
			Equity of Canada	663,330	297,506
	2,792,492	3,620,249		2,792,492	3,620,249

Approved by Management:

PIERRE MORIN
Director of Finance

Approved by the Board:

ROGER PERREAULT
President

CANADIAN LIVESTOCK FEED BOARD—*Continued*

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Program expenses		
Feed freight assistance	14,768,989	15,308,641
Local feed grain security	580,415	421,666
Inland elevator assistance		
Construction of new elevators (Note 3)	334,241	637,866
Expansion of existing elevators	321,243	151,807
	16,004,888	16,519,980
Administrative expenses		
Salaries and employee benefits	672,796	568,794
Travel	70,296	73,968
Publication of reports	63,272	58,433
Rentals	60,233	55,903
Stationery and office supplies	45,279	33,679
Postage	43,349	37,841
Professional and special services	39,266	42,814
Telephone	32,302	29,041
Accounting and cheque issue services	22,000	39,000
Advisory committee fees	6,645	5,488
Equipment and office furniture	3,352	19,095
Miscellaneous	16,294	19,718
	1,075,084	983,774
Cost of operations for the year	17,079,972	17,503,754

STATEMENT OF EQUITY OF CANADA FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Balance (deficit) at beginning of the year	297,506	(216,737)
Parliamentary appropriations (Note 4)	17,423,796	17,978,997
Services provided without charge by a government department	22,000	39,000
	17,743,302	17,801,260
Cost of operations for the year	17,079,972	17,503,754
Balance at end of the year	663,330	297,506

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Funds provided		
Parliamentary appropriations (Note 4)	17,423,796	17,978,997
Funds applied		
Operations		
Cost of operations for the year	17,079,972	17,503,754
Items not requiring an outlay of funds		
Services provided without charge by a government department	(22,000)	(39,000)
Increase in the provision for employee termination benefits	(22,780)	(3,032)
	17,035,192	17,461,722
Increase in accounts receivable under the inland elevator construction assistance program (Note 3)	44,827	462,746
	17,080,019	17,924,468
Decrease in working capital deficiency	343,777	54,529
Working capital deficiency at beginning of the year	631,741	686,270
Working capital deficiency at end of the year	287,964	631,741

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1982

1. Authority and objectives

The Canadian Livestock Feed Board was established in 1967 under the Livestock Feed Assistance Act and its objectives are to ensure:

(a) the availability of feed grain to meet the needs of livestock feeders;

(b) the availability of adequate storage space for feed grain in Eastern Canada; and

(c) reasonable stability in, and fair equalization of, feed grain prices in Eastern Canada, British Columbia, the Yukon Territory and the Northwest Territories.

The Board is a Crown corporation listed in Schedule C of the Financial Administration Act.

2. Significant accounting policies

(a) Program expenses

Feed freight assistance expenses are charged to operations in the year in which shipments are made. Costs incurred to assure local adequate supplies of feed grain are charged to operations in the year in which admissible costs are incurred by recipients.

Contributions for the expansion of existing elevators as well as for the construction of new elevators, net of recoverable amounts, are charged to operations in the year in which admissible costs are incurred by recipients. Write-offs of amounts previously recorded as recoverable are charged to operations in the year in which the account receivable is considered doubtful of collection.

(b) Capital expenditures

Purchases of equipment, office furniture and vehicles are expensed in the year of acquisition.

CANADIAN LIVESTOCK FEED BOARD—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1982—*Concluded*

(c) Parliamentary appropriations

Parliamentary appropriations are recorded in the statement of equity of Canada for the year to which they apply. Any unspent balance lapses if not used in the 30 days following the end of the fiscal year.

(d) Services provided without charge

An estimated amount for accounting and cheque issue services provided without charge by a government department is included in expenses with an offset to the equity of Canada.

(e) Employee termination benefits

On termination of employment, employees of the Board are entitled to certain benefits provided for under their collective agreements and their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

(f) Pension plan

Employees of the Board participate in the superannuation plan administered by the Government of Canada. The employees and the Board contribute equally to the cost of the plan. This contribution represents the total liability of the Board. Contributions in respect of current service are expensed during the year in which services are rendered. With respect to admissible past service, contributions are expensed when paid; the terms of payment are set by the applicable purchase conditions, generally over the number of years of service remaining prior to retirement.

3. Inland elevator construction assistance program

Under the inland elevator construction assistance program, the Board contributes toward the cost of new elevators that are started after April 1, 1977 and in respect of which proposals were to have been submitted by March 31, 1982. Under this program, the operators of the elevators are called upon to reimburse part of the contributions received, without interest, by instalments commencing in the fourth year of operation of the new facility and continuing until the tenth year, or when 40% of the total contribution has been repaid, whichever comes first. The amounts of the instalments are based on stored quantities.

As at March 31, 1982, the Board estimates that the amounts that will be so recovered will total $1,046,796 ($1,001,969 as at March 31, 1981). The first instalments will become due during the year ending March 31, 1985. It is not possible to determine the amounts that will be recovered during each applicable year because of the basis for the calculation of instalments.

4. Parliamentary appropriations

Funds allotted to the Board as at March 31 were as follows:

	1982	1981
	$	$
Agriculture		
Vote 45—Operating expenditures	1,112,000	1,025,000
Vote 50—Contributions	18,400,000	15,300,000
Vote 50c—Contributions		2,450,000
	19,512,000	18,775,000
Less:		
Parliamentary appropriations lapsed	2,013,332	759,185
Recoveries of prior year's contributions received during the year and paid to Canada	74,872	36,818
	17,423,796	17,978,997

CANADIAN NATIONAL RAILWAY SYSTEM

AUDITORS' REPORT

TO THE HONOURABLE THE MINISTER OF TRANSPORT

We have examined the consolidated balance sheet of the Canadian National Railway System as at December 31, 1981 and 1980 and the consolidated statements of income, retained earnings and changes in financial position for the two years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the System as at December 31, 1981 and 1980 and the results of its operations and the changes in its financial position for the two years then ended in accordance with generally accepted accounting principles consistently applied.

Also, in our opinion, proper books of account have been kept and the transactions that have come to our notice have been within the powers of the System.

The consolidated financial statements of the System for the year ended December 31, 1979 were reported upon by another firm of chartered accountants.

TOUCHE ROSS & CO.
Chartered Accountants

Montreal, Canada
March 1, 1982

CONSOLIDATED BALANCE SHEET
(in thousands of dollars)

ASSETS	December 31 1981	 1980
Current Assets		
Cash		46,032
Accounts receivable	451,305	416,667
Material and supplies	436,621	378,269
Other current assets	175,022	176,891
	1,062,948	1,017,859
Insurance Fund	34,531	29,539
Investments	94,046	93,380
Properties	4,838,970	4,398,974
Other Assets and Deferred Charges	109,672	105,461
	6,140,167	5,645,213

LIABILITIES	December 31			
	1981		1980	
Current Liabilities				
Bank loans and other indebtedness		63,721		50,288
Accounts payable		595,134		501,773
Accrued charges		224,540		192,257
Current portion of long-term debt		35,814		149,846
Other current liabilities		151,821		151,087
		1,071,030		1,045,251
Provision for Insurance		34,531		29,539
Other Liabilities and Deferred Credits		222,690		180,017
Long-Term Debt		1,701,531		1,441,171
Minority Interest in Subsidiary Companies		4,345		4,345
SHAREHOLDER'S EQUITY				
Capital stock of Canadian National Railway Company; 6,275,302 (1980—6,262,074) common shares of no par value authorized, issued and outstanding	2,482,125		2,475,511	
Retained earnings	623,915	3,106,040	469,379	2,944,890
		6,140,167		5,645,213

See accompanying notes to consolidated financial statements.

On behalf of the Board:

J. A. DEXTRAZE
Director

R. A. BANDEEN
Director

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

CONSOLIDATED STATEMENT OF INCOME
(in thousands of dollars)

	Year ended December 31		
	1981	1980	1979
CN Rail			
Revenues	3,053,139	2,647,220	2,347,344
Expenses	2,822,752	2,396,208	2,121,180
Income	230,387	251,012	226,164
Grand Trunk Corporation			
Revenues	468,628	338,322	312,627
Expenses	428,133	329,168	282,996
Income	40,495	9,154	29,631
CN Communications			
Revenues	217,641	192,335	174,084
Expenses	185,882	159,114	148,609
Income	31,759	33,221	25,475
CN Trucking			
Revenues	99,142	80,298	75,876
Expenses	99,403	78,165	72,696
Income (loss)	(261)	2,133	3,180
CN Express			
Revenues	105,743	126,918	139,318
Expenses	145,639	180,050	186,510
Loss	(39,896)	(53,132)	(47,192)
CN Hotels and Tower			
Revenues	58,184	56,598	55,825
Expenses	57,702	54,021	57,412
Income (loss)	482	2,577	(1,587)
CN Marine Inc.			
Revenues	175,475	163,268	153,967
Expenses	166,162	154,535	146,146
Income	9,313	8,733	7,821
CNM Inc.			
Revenues	17,690	14,696	13,276
Expenses	18,878	14,650	12,268
Income (loss)	(1,188)	46	1,008
TerraTransport			
Revenues	49,078	44,112	41,409
Expenses	77,901	70,983	66,242
Loss	(28,823)	(26,871)	(24,833)
Real Estate			
Revenues	24,290	27,483	22,831
Expenses	9,627	6,074	5,345
Income	14,663	21,409	17,486
Miscellaneous			
Loss	(61,781)	(53,306)	(25,699)
Income before income taxes and extraordinary item	195,150	194,976	211,454
Income taxes	93,120	91,054	98,250
Income before extraordinary item	102,030	103,922	113,204
Reduction in income taxes on application of prior years' losses	91,140	88,804	94,961
Net income	193,170	192,726	208,165

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
(in thousands of dollars)

	Year ended December 31		
	1981	1980	1979
Balance, beginning of year	469,379	315,198	148,666
Net income for the year	193,170	192,726	208,165
	662,549	507,924	356,831
Dividend	38,634	38,545	41,633
Balance, end of year	623,915	469,379	315,198

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
(in thousands of dollars)

	Year ended December 31		
	1981	1980	1979
Working Capital (Deficiency), beginning of year	(27,392)	176,465	157,362
Funds Provided			
Net Income for the year	193,170	192,726	208,165
Add/(deduct) items not involving the current provision or use of funds			
—Depreciation	224,224	200,505	187,774
—Share of net (income) loss retained by investees accounted for by equity method	3,388	2,967	(1,744)
—Amortization of discount on long-term debt	465	767	778
—Other	7,950	14,547	12,696
Funds from operations	429,197	411,512	407,669
Net proceeds from disposal of assets and investment	32,610	27,248	27,553
Issuance of long-term debt	487,953	82,388	206,525
Issuance of capital stock	6,614	26,676	104,361
Repayment of advances and balance of sale of assets	8,835	8,753	11,180
Working capital of subsidiary acquired	2,961	1,429	
Long-term investment maturing within one year		108,000	
Total Funds Provided	968,170	666,006	757,288
Funds Used			
Additions to properties	666,518	561,014	558,285
Investments			
—Acquisition of subsidiaries	2,266	48,928	
—Purchase of acquired subsidiary bonds		14,700	
—Other	9,404	51,326	113,936
Dividend	38,634	38,545	41,633
Reduction of long-term debt	227,478	155,350	23,894
Discount on issuance of debentures	4,560		437
Total Funds Used	948,860	869,863	738,185
Increase (Decrease) in Working Capital	19,310	(203,857)	19,103
Working Capital (Deficiency), end of year	(8,082)	(27,392)	176,465

See accompanying notes to consolidated financial statements.

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies

Introduction

All references in these Notes to the "Company" refer to Canadian National Railway Company which is wholly-owned by the Government of Canada and, unless the context otherwise requires, its consolidated subsidiaries, and all references to the "System" mean Canadian National Railway Company and its consolidated subsidiaries together with the lines of railway, marine, telecommunications and other property entrusted by the Government of Canada to the Company for management and operation.

(a) Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiaries and the Company's share of the assets, liabilities, revenues and expenses of CNCP Telecommunications which is accounted for by the proportionate consolidation method; CN's share in the activities of CNCP Telecommunications represents slightly less than two-thirds of the activities of CN Communications. Also, consistent with the legislation governing the System, the accounts of the Canadian Government Railways entrusted to the Company by the Government of Canada are included in the consolidated financial statements.

Investments in jointly-operated companies in which the Company has less than a majority interest are accounted for by the equity method where appropriate.

(b) Reporting by Division

In presenting the results by division, charges for services performed by one division for another, which are made generally at market value, have not been eliminated. Consolidated net income is not affected by this practice.

(c) Material and Supplies

The inventory is valued at laid down cost based on weighted average cost for ties and rails, latest invoice price for fuel and new materials in stores, and at estimated utility or sales value for usable second hand, obsolete and scrap materials.

(d) Insurance Fund

The System is self-insured for various risks, maintaining a separately invested fund. The provision for insurance represents the estimated amount of self-insured losses to be adjusted.

(e) Properties

Properties are carried at cost, which, in the case of properties brought into the System on January 1, 1923, is the aggregate of the values then appearing in the books of the railways now comprised in the System, less a write-down of $262.8 million at the time of capital revision in 1937.

Accounting for railway and telecommunications properties is carried out in accordance with rules issued by the Canadian Transport Commission and the Canadian Radio-television and Telecommunications Commission respectively (Canadian properties), and the Interstate Commerce Commission (United States properties), except, in the case of United States properties, for the application of depreciation accounting to ties, rails, other track material and ballast. Major additions and replacements generally are capitalized with the exception of labour costs relating to track material replacement and interest costs which are charged to expense.

The cost of depreciable assets retired or disposed of, less salvage, is charged to accumulated depreciation, in accordance with the group plan of depreciation except for CN Trucking and CN Hotels and Tower divisions which follow the unit plan whereby gains or losses are taken into income as they occur.

(f) Depreciation

Depreciation is calculated at rates sufficient to write off properties over their estimated useful lives, generally on a straight-line basis. For railway and telecommunications properties, certain rates are authorized by the Canadian Transport Commission, the Canadian Radio-television and Telecommunications Commission and the Interstate Commerce Commission. The rates for significant classes of assets are as follows:

	Annual Rate
Ties	3.25%
Rails	1.15%
Other track material	1.90%
Ballast	4.00%
Road locomotives	4.60%
Freight cars	2.97%
Commercial communications systems	5.03%

Hotel properties are depreciated at annual rates of 2% to 10% and vessels at 5%.

(g) Transportation Revenues

Transportation revenues are generally recognized on completion of movements, with interline movements being treated as complete when the shipment is turned over to the connecting carrier. Costs associated with uncompleted movements are generally deferred.

(h) Pensions

Current service costs are charged to operations, and funded, as they accrue.

Prior service costs are charged to operations and funded by annual payments covering principal and interest over varying periods to 2006 (2015 in the case of U.S. Plans).

(i) Foreign Exchange

Assets and liabilities in foreign currencies have been translated into Canadian dollars at current rates except for investments, properties and long-term debt for which historical rates have been used. Income is charged or credited with all exchange differences. Income and expenses of foreign subsidiaries have been translated at average rates during the year except for depreciation provisions which are on the same basis as the related properties.

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

Note 2: Investments

	Percentage of Voting Interest	December 31 1981	December 31 1980
		(in thousands of dollars)	
Jointly-operated companies, on equity method			
Chicago and Western Indiana Railroad Company	20%	7,191	7,122
The Detroit and Toledo Shore Line Railroad Company[1]			6,080
Les Entreprises Bussières Ltée	50%	3,389	
The Toronto Terminals Railway Company	50%	10,682	10,882
Other		4,135	4,175
		25,397	28,259
Other companies and investments, at cost			
The Belt Railway Company of Chicago	7.69%	616	603
Eurocanadian Shipholdings Limited	18%	61,514	61,514
Intercast S.A.	18%	100	100
Telesat Canada	3.75%	2,250	2,250
Other		4,169	654
		68,649	65,121
Total		94,046	93,380

[1] Effective April 1, 1981, Grand Trunk Western Railroad Company purchased for approximately $2.3 million the remaining 50% equity interest in The Detroit and Toledo Shore Line Railroad Company which was merged with Grand Trunk Western Railroad Company on October 1, 1981.

Note 3: Properties

	December 31, 1981			December 31, 1980		
	Cost	Accumulated Depreciation	Net	Cost	Accumulated Depreciation	Net
	(in thousands of dollars)					
Railway						
Canadian Lines[1]	6,332,759	2,507,777	3,824,982	5,888,608	2,403,001	3,485,607
Grand Trunk Corporation	567,052	143,124	423,928	505,974	135,242	370,732
	6,899,811	2,650,901	4,248,910	6,394,582	2,538,243	3,856,339
CN Telecommunications	603,218	215,647	387,571	553,693	192,439	361,254
CN Trucking	66,454	33,105	33,349	58,957	28,388	30,569
CN Hotels and Tower	189,183	61,763	127,420	189,589	62,404	127,185
Other	55,740	14,020	41,720	33,239	9,612	23,627
	914,595	324,535	590,060	835,478	292,843	542,635
	7,814,406	2,975,436	4,838,970	7,230,060	2,831,086	4,398,974
Amounts included above with respect to Canadian Government Railways entrusted to the Company by the Government of Canada	860,917	483,508	377,409	864,455	460,051	404,404

[1] Includes CN Rail, CN Express, CN Marine, TerraTransport and Miscellaneous properties.

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

Note 4: Long-Term Debt

	Maturity	Currency in which payable	December 31 1981	 1980
			(in thousands of dollars)	
Bonds Debentures and Notes				
Canadian National 4%, 23 Year Bonds (a)	Feb. 1, 1981	Canadian		300,000
Detroit and Toledo Shore Line 1st Mortgage Bonds	Dec. 1, 1982	U.S. $ 2,041	2,434	
Canadian National 5¾%, 25 Year Bonds (a, b)	Jan. 1, 1985	Canadian	68,242	70,442
Canadian National 8⅜%, 10 Year Bonds	Nov. 15, 1986	U.S. $ 85,000	83,232	83,232
Canadian National 8⅞%, 10 Year Bonds (b)	Mar. 1, 1987	Canadian	51,185	51,950
Canadian National 5%, 27 Year Bonds (a, b)	Oct. 1, 1987	Canadian	107,141	110,782
Canadian National 14⅜%, 10 Year Notes	Dec. 1, 1991	U.S. $100,000	117,817	
Canadian National 9¼%, 20 Year Sinking Fund Debentures	Mar. 15, 1998	U.S. $120,000	133,533	133,533
Canadian National 8⅜%, 25 Year Sinking Fund Debentures	July 1, 2002	U.S. $ 90,000	95,342	105,935
Canadian National 9.7%, 25 Year Sinking Fund Debentures	July 15, 2004	U.S. $150,000	174,940	174,940
Canadian National 14%, 25 Year Sinking Fund Debentures	Jan. 15, 2006	U.S. $150,000	178,783	
Canadian National 15%, 25 Year Sinking Fund Debentures	June 1, 2006	U.S. $150,000	181,238	
Buffalo and Lake Huron 5½%, 1st Mortgage Bonds	Perpetual	Sterling	795	795
Buffalo and Lake Huron 5½%, 2nd Mortgage Bonds	Perpetual	Sterling	1,228	1,228
Total Bonds Debentures and Notes			1,195,910	1,032,837
Government of Canada Loan and Advances (c)				
Government of Canada consolidated loan (d)		Canadian	235,695	241,919
Canadian Government Railways advances for working capital		Canadian	14,108	14,970
Total Government of Canada Loan and Advances			249,803	256,889
Other				
Amounts owing under equipment purchase agreements (e)		U.S.	227,845	234,129
Bank loan 6¼% (f)		Swiss Francs	64,474	64,474
Promissory note 9¼% (g)		Canadian	2,189	2,400
Total Other			294,508	301,003
			1,740,221	1,590,729
Less: unamortized discount on long-term debt			5,947	1,850
current portion of long-term debt, at historical exchange rates			32,743	147,708
			38,690	149,558
Long-Term Debt			1,701,531	1,441,171

(a) Guaranteed by the Government of Canada.

(b) These bonds are subject to repurchase arrangements.

(c) Weighted average interest rate on Government of Canada loan and advances outstanding at December 31, 1981 and 1980, was approximately 8.2% per annum.

(d) The Government of Canada consolidated loan bears interest at 8-¾% per annum and is payable in equal semi-annual payments of $13.63 million covering principal and interest to June 30, 1998.

(e) Secured by rolling stock and payable by semi-annual or quarterly instalments over various periods to 1995 at interest rates ranging from 8% to 17-¾%. As at December 31, 1981, the principal amounts are payable as U.S. $217.7 million (December 31, 1980—U.S. $224.4 million).

(f) Principal of Swiss Francs 100.0 million repayable on April 9, 1985, or earlier at the Company's option.

(g) Repayable by semi-annual instalments of $218,503, including principal and interest, to August 1, 1988.

(h) Principal repayments, including sinking fund repayments and repurchase arrangements, on debt outstanding at December 31, 1981, are as follows:

	(in thousands of dollars)
Year ending December 31:	
1982	40,898
1983	40,592
1984	49,996
1985	180,122
1986	124,438
1987—1991	544,070
1992—1996	347,596
1997—2001	251,225
2002—2006	145,403

(i) If the year-end exchange rate had been used in translating long-term debt payable in foreign currencies, the long-term debt would have been increased by $75.2 million (1980—$80.8 million).

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

Note 5: Shareholder's Equity

(a) Capital Stock

During the year, 13,228 shares (1980—53,352) of the no par value common stock of the Company were issued to the Government of Canada at a value of $6,614,000 (1980—$26,676,000) as part of an arrangement whereby the Government shall purchase shares in the capital stock of the Company having a value in aggregate of up to $143,100,000 as a contribution to the cost of CN Marine's capital projects. The aggregate value of shares issued to date under this arrangement is $33,290,000.

(b) Retained Earnings

Under its governing legislation, the Company is required to pay to the Receiver General for Canada a dividend equal to 20% of net income for the year or such greater percentage as the Governor in Council may direct. Accordingly, a dividend representing 20% of the net income for the year, has been accrued and is included in Other current liabilities.

Note 6: Major Commitments

(a) Leases

(i) The Company's lease commitments as at December 31, 1981, of which the significant portion is in respect of railway rolling stock, are as follows:

	Non-Cancellable Leases	
	Capital Leases	Operating Leases
	(in thousands of dollars)	
Year ending December 31:		
1982	43,065	46,936
1983	42,461	45,074
1984	42,418	37,423
1985	43,301	36,082
1986	38,834	35,278
1987—1991	116,510	119,532
1992—1996	9,382	44,151
1997—2001	3,213	11,823
thereafter	853	
Total minimum lease payments	340,037	376,299
Less amount representing imputed interest	109,160	
Present value of net minimum lease payments under capital leases	230,877	

Many of the leases provide renewal options and an option to purchase the property at fair market value at the end of the lease term.

(ii) Rental expenses under all lease arrangements were:

	Year ended December 31		
	1981	1980	1979
	(in thousands of dollars)		
Total expenses	178,914	146,685	149,472
Expenses under capital leases	43,276	46,852	43,510

Leases entered into in 1981 which are of a capital nature are insignificant.

(iii) Net reduction in income and increases in assets and liabilities in the consolidated financial statements, which would have arisen if leases satisfying the criteria of capital leases had been capitalized, are as follows:

	Year ended December 31		
	1981	1980	1979
	(in thousands of dollars)		
Net reduction in income	540	761	5,219
Increase in Assets			
Properties			
Leased properties under capital leases	301,397	303,937	301,219
Less accumulated amortization	131,487	109,535	86,632
	169,910	194,402	214,587
Increases in Liabilities			
Current Liabilities			
Present value of obligations under capital leases	22,188	23,105	20,047
Non-Current Liabilities			
Present value of obligations under capital leases	230,877	268,534	271,044
Less current portion	22,188	23,105	20,047
	208,689	245,429	250,997

(b) Other

The Company has a commitment at December 31, 1981, to purchase rail from a major Canadian steel producer over the period of the next thirty-one months at an aggregate cost of $115.5 million. In addition, there are commitments for capital expenditures of $102.1 million for railway ties and $36.7 million for rolling stock.

Note 7: Subsidies

Revenues include the following subsidies:

	Year ended December 31		
	1981	1980	1979
	(in thousands of dollars)		
Government of Canada			
(a) Payments under the Railway Act paid under authority of that Act and the related Appropriation Act in respect of certain uneconomic operations, services and prescribed rates which railways are required by the Railway Act to maintain	162,018	97,592	135,216
(b) Maritime Freight Rates Act and Atlantic Region Freight Assistance Act subsidies	17,341	17,328	18,574
(c) Other	5,718	5,532	3,100
Other	2,623		
	187,700	120,452	156,890

Note 8: Pensions

The Company has retirement benefit plans covering substantially all its employees under which they are entitled to benefits at retirement age, based on compensation and length of service. Annual pension costs are as follows:

Year ended December 31		
1981	1980	1979
(in thousands of dollars)		
182,570	196,712	200,749

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

The total amount of past service costs remaining to be charged to operations at December 31, 1981, based on the latest actuarial valuation as at December 31, 1980 (previous years based on December 31, 1977 actuarial valuation), adjusted for subsequent changes, aggregate:

	At December 31		
	1981	1980	1979
	(in thousands of dollars)		
Canadian plans	1,445,213	1,117,110	1,160,994
U.S. plans	28,669	23,566	18,411
	1,473,882	1,140,676	1,179,405

This amount is being charged to operations in annual amounts, including principal and interest, as follows:

	Annual Cost (in thousands of dollars)
1982	111,814
1983	117,961
1984	121,831
1985	131,434
1986	138,693
1987	123,620
1988	130,477
1989	137,722
1990	145,298
1991	150,701
1992	137,039
1993	117,099
1994	117,836
1995	124,469
1996	135,352
1997	95,487
1998	100,678
1999	100,164
2000	111,969
2001	178,070
2002	59,203
2003	62,405
2004	65,781
2005	69,353
2006	72,995
2007-2008	802
2009	1,097
2010-2015	1,185

In 1981, funding exceeded the charge to operations by $4.3 million. In 1980 and 1979, charges to operations exceeded funding by $9.3 million and $13.1 million respectively. The cumulative excess of charges to operations over funding requirements, amounting to $60.1 million (1980—$64.4 million), is included in Other Liabilities and Deferred Credits.

The actuarially-computed value of vested benefits at December 31, 1980, the date of the latest actuarial valuation, exceeded the total of the pension funds at that date by $165.1 million.

Note 9: Miscellaneous Loss

Miscellaneous loss consists of the following:

	Year ended December 31		
	1981	1980	1979
	(in thousands of dollars)		
Miscellaneous revenues	16,811	14,399	45,088
Interest			
Total interest on long-term debt	158,192	125,284	111,034
Interest on short-term borrowings	14,946	1,017	118
Interest on investments	(2,307)	(15,376)	(14,793)
Total interest (net)	170,831	110,925	96,359
Interest assigned to divisions	(168,398)	(109,325)	(92,111)
	2,433	1,600	4,248
Other expense (net)(1)	76,159	66,105	66,539
Total expenses	78,592	67,705	70,787
Total miscellaneous loss	61,781	53,306	25,699

(1) Other expense (net) consists of general corporate income and expenses.

Note 10: Income Taxes

At December 31, 1981, there is a loss carry-forward for tax purposes of $110 million which have not been recognized in the financial statements. The tax benefits pertaining to this loss carry-forward are available until December 31, 1982.

In addition, the Company has timing differences of approximately $730 million which are available to reduce taxable income of future years. Of that amount, $555 million is due to the excess of the undepreciated capital cost for income tax purposes over the net book value of depreciable assets. Investment tax credits of about $19 million, $28 million and $33 million are also available to reduce future income taxes otherwise payable until December 31, 1984, 1985 and 1986 respectively.

The Company's effective tax rate in 1981 was 3.1% lower than the normal 50.8% due principally to the exclusion from taxable income of the non-taxable portion of capital gains.

Note 11: Segmented Information

(a) Geographic Areas

Virtually all of the System's operations and assets are within Canada with the exception of Grand Trunk Corporation which operates in the United States.

(b) International Traffic

In addition to the revenue generated by Grand Trunk Corporation, the System derives revenue from traffic originating or terminating on railroads in the United States. In 1981, such revenues approximated $607 million (1980—$579 million, 1979—$524 million).

CANADIAN NATIONAL RAILWAY SYSTEM—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Continued*

(c) Identifiable Assets by Division

	December 31		
	1981	1980	1979
	(in thousands of dollars)		
CN Rail	4,361,459	3,957,994	3,538,760
Grand Trunk Corporation	619,742	546,902	459,542
CN Communications	[illegible]2,221	408,940	392,501
CN Trucking	62,618	59,040	53,161
CN Express	61,388	69,078	70,840
CN Hotels and Tower	141,748	143,289	141,337
CN Marine	181,707	167,731	122,953
TerraTransport	67,176	62,338	59,142
Real Estate	32,588		
Miscellaneous	159,520	229,901	304,895
Total assets per Consolidated Balance Sheet	6,140,167	5,645,213	5,143,131

Assets pertaining to the Real Estate Division were not separately identified in years prior to 1981. Those for CN Marine Inc. and CNM Inc. have been grouped under CN Marine.

(d) Capital Expenditures and Depreciation by Division

	Capital Expenditures[1]			Depreciation		
	Year ended December 31					
	1981	1980	1979	1981	1980	1979
	(in thousands of dollars)					
CN Rail	511,085	408,119	313,202	151,398	134,690	128,003
Grand Trunk Corporation	39,493	42,311	62,700	11,952	14,028	11,424
CN Communications	58,838	33,360	44,409	31,696	23,921	22,416
CN Trucking	8,765	8,900	6,486	5,830	5,596	5,170
CN Express	1,118	4,101	6,215	4,286	4,569	4,757
CN Hotels and Tower	10,143	6,594	7,035	5,753	5,655	5,374
CN Marine[2]	20,559	49,857	107,326	8,466	8,251	7,375
TerraTransport	7,228	4,249	5,062	2,392	2,603	2,394
Real Estate[2]	60			365		
Miscellaneous	9,229	3,523	5,850	2,086	1,192	861
	666,518	561,014	558,285	224,224	200,505	187,774

(1) Represents additions to property, plant and equipment.

(2) Amounts for capital expenditures and depreciation pertaining to the Real Estate Division were not separately identified in years prior to 1981. Those for CN Marine Inc. and CNM Inc. have been grouped under CN Marine.

Note 12: Other Matters

(a) The Company carries on ordinary business transactions with various entities controlled by the Government of Canada on the same terms and conditions as current transactions with unrelated parties.

In addition, the Company provides, under contractual arrangements, rail transportation and maintenance and marine services to the Government of Canada and to entities controlled by the latter. The revenue derived from such services rendered in 1981 aggregated $483.7 million (1980—$409.7 million, 1979—$315.1 million) and the amounts receivable therefrom at December 31, 1981, amount to $11.5 million ($0.2 million at December 31, 1980).

(b) Commencing in 1977, the Government of Canada has agreed to pay to the Company, by way of capital grants not exceeding $292.8 million, certain amounts with respect to expenditures incurred in carrying out rehabilitation programs for branch lines in Western Canada. Total payments received up to December 31, 1981, amounted to $187.3 million of which $51.1 million was received in 1981 (1980—$42.6 million).

(c) Commencing in 1981, the Government of Canada has agreed to pay during its 1981-82 fiscal period an amount not exceeding $14 million to the Company to conduct a program of testing and evaluation of railway operations in Newfoundland and to reimburse CN for certain wage and wage-related costs incurred by CN at the request of the Government during the testing and evaluation period. Total billings in 1981 amounted to $8.6 million and the amounts receivable therefrom at December 31, 1981 amount to $0.9 million.

Note 13: Reclassification of Comparative Figures

During 1981, changes were made to improve the classification of certain items and for comparative purposes the 1980 and 1979 figures have been reclassified.

Note 14: Subsequent Events

(a) Certain recent developments raise the possibility of a decline in the value of a portfolio investment which is stated at a cost of $61.6 million. The amount of this contingent loss, if any, cannot be estimated at this time and no provision therefor has been made in the accounts. If such a loss were to materialize, it would be accounted for as an extraordinary charge against earnings.

CANADIAN NATIONAL RAILWAY SYSTEM—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—*Concluded*

(b) On February 17, 1982, the Company entered into a commitment with a Swiss bank to borrow SFr. 100 million for a term of 5 years at an interest rate of 7¾%. It is anticipated that the proceeds from this loan will be available on March 9, 1982, such proceeds will be used for general corporate purposes.

(c) On February 25, 1982, the Company entered into an Underwriting Agreement relating to the issue and sale of U.S. $150 million principal amount of 16¼% Sinking Fund Debentures Due 2007 to be sold in the U.S. public market, with closing scheduled for March 10, 1982. The proceeds from the debentures will be used for general corporate purposes.

CANADIAN NATIONAL (WEST INDIES) STEAMSHIPS LTD.

THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1981
WERE NOT AVAILABLE AT DATE OF PRINTING

CANADIAN PATENTS AND DEVELOPMENT LIMITED

(Incorporated under the Canada Business Corporation Act)

AUDITOR'S REPORT

THE HONOURABLE HERBERT ESER GRAY, P.C., M.P.
MINISTER OF INDUSTRY, TRADE AND COMMERCE

I have examined the balance sheet of Canadian Patents and Development Limited as at March 31, 1982 and the statements of operations and surplus, and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

KENNETH M. DYE
Auditor General of Canada

Ottawa, Ontario
May 14, 1982

BALANCE SHEET AS AT MARCH 31, 1982

ASSETS	1982	1981
	$	$
Current		
Cash	78,216	1,103,831
Term deposits	940,000	895,000
Accounts receivable	283,097	164,236
Interest accrued on investments	21,069	10,879
Other	4,648	6,245
	1,327,030	2,180,191
Investment in bonds (market value 1982 $258,400; 1981 $261,263)	347,500	347,500
Industrial and intellectual property rights (Note 3)	1	1
Experimental equipment on loan to licensee (Note 4)	1	1
	1,674,532	2,527,693

LIABILITIES	1982	1981
	$	$
Current		
Accounts payable and accrued liabilities	366,334	1,525,642
Royalties received in advance	58,874	74,550
Deferred royalty income	38,969	
	464,177	1,600,192
Provision for employee termination benefits	121,872	80,615
	586,049	1,680,807
EQUITY OF CANADA		
Capital stock		
Authorized—10,000 shares of no par value		
Issued—5,000 shares fully paid	296,199	296,199
Surplus	792,284	550,687
	1,088,483	846,886
	1,674,532	2,527,693

Approved:

P. E. QUINN
Director

K. KLEGG
Director

CANADIAN PATENTS AND DEVELOPMENT LIMITED—*Continued*

STATEMENT OF OPERATIONS AND SURPLUS FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Revenues		
Royalties	1,196,125	1,685,189
Deduct: awards to inventors	(104,208)	(117,956)
payments to third parties	(128,498)	(571,265)
	963,419	995,968
Interest on investments	229,479	133,461
Service charges under agency agreements	35,975	29,816
Interest charged on overdue accounts	1,758	2,519
Miscellaneous	13,511	4,275
	1,244,142	1,166,039
Expenses		
Salaries and employee benefits	889,507	736,498
Industrial and intellectual property agents' fees and related expenses, for obtaining and maintaining proprietary protection (Note 5)	152,612	111,189
Accommodation, equipment and other rentals	83,552	70,590
Legal fees	66,008	12,395
Professional and special services	64,695	112,954
Office supplies, printing, equipment and furnishings	42,510	36,600
Communications	30,420	28,591
Travel and removal	19,908	23,207
Miscellaneous	2,737	3,028
Bad debts expense	596	16,042
Payments in respect of sugar cane separation process		724,763
	1,352,545	1,875,857
Excess of expenses over revenues	108,403	709,818
Parliamentary appropriations		
Industry, Trade and Commerce Vote 20	350,000	350,000
Supplementary appropriation (Vote 20) for payments in respect of sugar cane separation process		724,763
	350,000	1,074,763
Excess of revenues over expenses for the year	241,597	364,945
Surplus at beginning of the year	550,687	185,742
Surplus at end of the year	792,284	550,687

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Working capital provided		
Parliamentary appropriation	350,000	350,000
Supplementary appropriation for payments in respect of sugar cane separation process		724,763
Redemption of bonds		47,750
	350,000	1,122,513
Working capital applied		
Excess of expenses over revenues	108,403	709,818
Less: increase in provision for employee termination benefits	(41,257)	(21,385)
	67,146	688,433
Increase in working capital	282,854	434,080
Working capital at beginning of the year	579,999	145,919
Working capital at end of the year	862,853	579,999

CANADIAN PATENTS AND DEVELOPMENT LIMITED—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1982

1. Objectives and operations

Canadian Patents and Development Limited was established to make available to the public through licensing arrangements with industry, the industrial and intellectual property which results from publicly-funded research and development.

The Corporation receives and processes industrial and intellectual property under arrangements with federal government departments, Crown corporations and agencies, universities, and other publicly-financed institutions. Suitable protection is sought in Canada and other countries for such property in instances where there is a promise of commercial use. In respect of money received from the exploitation of such property, the Corporation pays awards to public servants under the Public Servants Inventions Act and makes payments to other originators of such property in accordance with the agreements entered into with them.

2. Significant accounting policies

Investment in bonds

Bonds are carried at cost since it is management's intention to hold them to maturity. Interest income is recorded on an accrual basis.

Industrial and intellectual property rights

Industrial and intellectual property rights are recorded in the balance sheet at a nominal value of $1. Expenditures relating to the acquisition, protection, licensing and maintenance of industrial and intellectual property rights are charged to operations as incurred.

Experimental equipment

Experimental equipment on loan to licensees is recorded at a nominal value of $1. The cost of this equipment is charged to operations in the year of acquisition.

Royalties

Royalties, payments to third parties and awards to individuals are recorded on an accrual basis.

Office furnishings and equipment

The costs of office furnishings and equipment are charged to operations in the year of acquisition.

Parliamentary appropriations

Parliamentary appropriations are recorded when received.

3. Industrial and intellectual property rights

From 1948 to date, approximately $1,750,000 (1981—$1,731,000) has been expended on the current inventory of unexpired patent and other rights in respect of industrial and intellectual property.

4. Experimental equipment on loan to licensees

The cost of experimental equipment purchased under active development contracts and held by a licensee amounts to $123,500 (1981—$123,500).

5. Industrial and intellectual property agents' fees and related expenses, for obtaining and maintaining proprietary protection.

	1982	1981
	$	$
Expenses of obtaining and maintaining proprietary protection	279,785	210,927
Less: recoveries	127,173	99,738
Net expense for the year	152,612	111,189

CANADIAN SALTFISH CORPORATION
(*Established by the Saltfish Act*)

AUDITOR'S REPORT

THE HONOURABLE ROMÉO LEBLANC, P.C., M.P.
MINISTER OF FISHERIES AND OCEANS

I have examined the balance sheet of Canadian Saltfish Corporation as at March 31, 1982 and the statements of operations, retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements give a true and fair view of the financial position of the Corporation as at March 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

E. R. ROWE
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Ontario
May 28, 1982

BALANCE SHEET AS AT MARCH 31, 1982

ASSETS	1982	1981
	$	$
Current		
Cash	142,999	
Government of Canada—Treasury Bills	987,900	881,991
Accounts receivable	6,434,157	5,049,666
Inventories (Note 3)	3,460,017	4,713,972
	11,025,073	10,645,629
Long-term receivables	34,741	96,642
Fixed (Note 4)		
Land, buildings and equipment, at cost or appraised value	2,722,289	3,111,469
Less: accumulated depreciation	1,227,155	1,024,966
	1,495,134	2,086,503
	12,554,948	12,828,774

LIABILITIES	1982	1981
	$	$
Current		
Bank overdraft		438,928
Accounts payable and accrued liabilities	3,284,006	2,520,371
Current portion of long-term debt (Note 5)	312,500	312,500
Provision for additional contributions payable to fishermen and producers (Note 2)	2,000,000	3,100,000
	5,596,506	6,371,799
Long-term		
Loans from Canada, net of current portion (Note 5)	1,406,000	1,718,500
Provision for employee termination benefits	160,762	124,622
	1,566,762	1,843,122
EQUITY		
Retained earnings		
Unappropriated	3,087,680	2,309,853
Appropriated (Note 6)	2,304,000	2,304,000
	5,391,680	4,613,853
	12,554,948	12,828,774

Approved by the Board:

K. HENRIKSEN
Director

E. MALONEY
Director

CANADIAN SALTFISH CORPORATION—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Sales	45,886,339	49,349,504
Less: freight, insurance and sales adjustments	2,991,627	3,037,904
	42,894,712	46,311,600
Cost of sales		
Product costs (Note 2)	37,327,659	35,644,109
Transportation, storage and packaging	1,774,183	2,063,185
Other buying costs	892,054	671,951
	39,993,896	38,379,245
Gross margin	2,900,816	7,932,355
Expenses		
Selling	753,607	855,009
Administrative	653,195	664,862
Other (Note 7)	256,187	554,662
	1,662,989	2,074,533
Net income for the year before additional contributions to fishermen and producers	1,237,827	5,857,822
Provision for additional contributions to fishermen and producers (Note 2)		2,918,150
Net income for the year before extraordinary item	1,237,827	2,939,672
Write down of fish plant (Note 4)	460,000	279,059
Net income for the year	777,827	2,660,613

STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Unappropriated retained earnings at beginning of the year	2,309,853	171,740
Net income for the year	777,827	2,660,613
	3,087,680	2,832,353
Less: retained earnings appropriated during the year (Note 6)		522,500
Unappropriated retained earnings at end of the year	3,087,680	2,309,853
Appropriated retained earnings at beginning of the year	2,304,000	1,781,500
Add: retained earnings appropriated during the year (Note 6)		522,500
Appropriated retained earnings at end of the year	2,304,000	2,304,000
	5,391,680	4,613,853

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Working capital provided		
Operations		
Net income for the year before extraordinary item	1,237,827	2,939,672
Less: write down of fish plant (Note 4)	460,000	279,059
Net income for the year	777,827	2,660,613
Add: charges to earnings which did not require an outlay of funds:		
Depreciation of fixed assets	225,715	304,392
Increase in provision for employee termination benefits	36,140	33,375
Write down of fish plant (Note 4)	460,000	279,059
	1,499,682	3,277,439
Increase in long-term borrowings		600,000
Decrease in long-term receivables	61,901	44,772
	1,561,583	3,922,211
Working capital applied		
Net additions to fixed assets	94,346	664,579
Long-term debt becoming current	312,500	312,500
	406,846	977,079
Increase in working capital	1,154,737	2,945,132
Working capital at beginning of the year	4,273,830	1,328,698
Working capital at end of the year	5,428,567	4,273,830

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1982

1. Objectives and operations of the Corporation

The Canadian Saltfish Corporation was established by the Saltfish Act in March 1970, to improve the earnings of the primary producer of cured saltfish. The Corporation is an agency Crown Corporation of Canada and is required to conduct its operations on a self-sustaining basis. Total loans outstanding from Canada and from banks may not exceed $30 million.

The Corporation has the exclusive right to trade in and market cured fish and its by-products in the Province of Newfoundland and the North Shore of Quebec and is required to buy all cured fish of an acceptable standard of quality offered for sale therein. Fish is purchased from fishermen, processed through agents of the Corporation and is subsequently marketed by the Corporation.

The Corporation markets fresh frozen products under a contractual arrangement for a group of companies on a brokerage basis. The Corporation does not earn any revenue for this service but in addition to the direct cost of providing the service, which has been reimbursed from the group, a further $96,000 of general overhead expenses of the Corporation has been recovered from the operation. The total market value from the brokerage is $11,496,671 and is in addition to the sales of $45,886,339 as shown on the statement of operations.

The Corporation also sold various fishery products for other fish companies and the Government of Newfoundland on a commission basis and has earned gross commission revenue of $294,140 on these sales, which has been included in the reported sales for the year.

CANADIAN SALTFISH COPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1982—*Continued*

2. **Significant accounting policies**

Depreciation

Depreciation is calculated on a straight-line basis and is based on the estimated useful life of the assets as follows:

Buildings	20 years
Equipment	10 years
Furniture and fixtures	5 years
Vehicles	3 years
Sundry production equipment	3, 5 and 10 years

Foreign currency translation

Transactions in foreign currency during the year are translated into Canadian dollars at the rate in effect at the time of the transaction. At year-end, accounts receivable or payable in foreign currency are translated at the year-end exchange rate where such translation results in a loss; should a gain result, no year-end translation is made.

Provision for additional contributions to fishermen and producers

The Corporation purchases saltfish at initial prices established by the Board of Directors and obtains processing services at negotiated rates. Additional contributions, if any, to fishermen and producers are determined by the Board based on the results of operations. These contributions are made in respect of products purchased and processed during the year and therefore are charged to the operations of the year in which they are approved for distribution.

During 1981-82 the Corporation's Board of Directors approved the provision of an interim additional payment to fishermen and producers of $2,000,000. Since this was considered by the Board to be part of the cost of operations, it has been included in product costs for the year ended March 31, 1982. In the previous year an additional payment was provided for in the amount of $2,918,150 based on the result of operations and is therefore shown as a separate item.

Income taxes

Under the provisions of the Income Tax Act, the Corporation is exempt from federal income tax.

3. **Inventories**

Inventories are made up of the following categories:

	1982	1981
	$	$
Fish, at lower of cost and net realizable value	2,797,025	4,198,641
Packages and supplies, at cost	189,371	213,599
Salt, at cost	473,621	301,732
	3,460,017	4,713,972

4. **Fixed assets**

	1982			
	Cost or appraised value	Accumulated depreciation	Net book value	Depreciation expense
	$	$	$	$
Land	77,574		77,574	
Buildings	898,055	139,097	758,958	44,903
Equipment	1,624,489	1,023,184	601,305	175,000
Furniture and fixtures	82,171	64,874	17,297	5,812
Fish Plant-Land	40,000		40,000	
	2,722,289	1,227,155	1,495,134	225,715

	1981			
	Cost or appraised value	Accumulated depreciation	Net book value	Depreciation expense
	$	$	$	$
Land	77,574		77,574	
Building	896,840	94,096	802,744	44,842
Equipment	1,563,929	871,808	692,121	169,367
Furniture and fixtures	73,126	59,062	14,064	3,621
Fish plant	500,000		500,000	86,562
	3,111,469	1,024,966	2,086,503	304,392

The plant and land which was purchased in 1979-80 has been used primarily for the storing, packaging and shipping of saltbulk. Despite the fact that the Corporation has been seeking alternate uses for the plant, including the sale or lease of the property, it has not been successful in obtaining any offers.

Since most of the property has been unoccupied for several years, rapid deterioration has taken place. The Corporation did not consider it economical to maintain the premises in view of the failure of the fishing industry to reach a level of saltfish production sufficient to require this additional drying capacity.

Consequently the Corporation's Board of Directors decided to write down the value of this property to the appraised value of the land. An independent appraisal was made on April 22, 1981, which valued the land at $40,000 and the property was written down to that amount. This results in an extraordinary item of $460,000 (1981—$279,059) being charged in the Statement of Operations for the year ended March 31, 1982.

5. **Loans from Canada**

The Corporation is dependent on the Government of Canada for working capital and long-term loans. Loans used to finance current assets are interest bearing and are repayable within one year.

Loans obtained to finance capital expenditures also bear interest and are subject to repayment in ten equal instalments. Outstanding long-term loans are as follows:

CANADIAN SALTFISH CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1982—*Concluded*

Due date	Interest rate %	Net balance March 31, 1982	Annual principal payments
		$	$
March 25, 1984	7⅜	54,000	54,000
June 19, 1984	7⅝	147,000	73,500
September 22, 1985	7⅝	67,500	22,500
March 31, 1986	8⅞	37,500	12,500
March 27, 1989	10⅛	60,000	10,000
September 28, 1989	10	560,000	80,000
September 30, 1990	12⅜	480,000	60,000
		1,406,000	312,500

Annual long-term loan repayment requirements over the next five fiscal years are $312,500 in 1983 and 1984, $258,500 in 1985 $185,000 in 1986 and $150,000 in 1987.

6. Appropriations of retained earnings

The Board of Directors established that the following amounts be appropriated from retained earnings:

	March 31, 1982	March 31, 1981
	$	$
General contingencies	1,000,000	1,000,000
Processing and quality improvements	200,000	200,000
Research and development	100,000	100,000
Reinvestment in fixed assets	1,004,000	1,004,000
	2,304,000	2,304,000

7. Other expenses

Other expenses include the following:

	1982	1981
	$	$
Interest expense —Long-term	173,020	169,728
—Current	200,312	551,792
Gain on foreign exchange	(117,145)	(166,858)
	256,187	554,662

THE CANADIAN WHEAT BOARD

AUDITORS' REPORT

TO THE CANADIAN WHEAT BOARD

We have examined the financial statements and explanatory comments thereon of The Canadian Wheat Board, which comprise Part VI of The Annual Report of The Board for the crop year ended July 31, 1981. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements together with the explanatory comments thereon present fairly the financial position of The Board as at July 31, 1981 and the results of its operations for the periods shown, in accordance with generally accepted accounting principles consistently applied.

DELOITTE, HASKINS & SELLS
Auditors

Winnipeg, Manitoba
March 11, 1982

BALANCE SHEET AS AT JULY 31, 1981
(with prior year figures for comparison)

EXHIBIT I

ASSETS	1981 $	1980 $
Stocks of grain:		
Wheat stocks—Stated at the ultimate value received from the sale thereof basis in store Thunder Bay, Vancouver or Churchill	1,258,046,070	714,701,136
Durum stocks—Stated at the ultimate value received from the sale thereof basis in store Thunder Bay, Vancouver or Churchill	219,945,527	96,193,716
Oats stocks—Stated at the ultimate value received from the sale thereof basis in store Thunder Bay or Vancouver	562,137	8,937,966
Barley stocks—Stated at the ultimate value received from the sale thereof basis in store Thunder Bay, Vancouver or Churchill	247,453,555	
Designated Barley stocks—Stated at the ultimate value received from the sale thereof basis in store Thunder Bay or Vancouver	19,729,098	12,521,651
Bills of exchange plus accrued interest:		
Receivable in Canadian funds	1,618,988,864	1,304,222,452
Receivable in United States funds converted at forward sales values or the prevailing rate of exchange	195,350,054	123,838,663
Accounts receivable:		
Sundry	69,151,342	88,552,439
Prairie Grain Advance Payments Act		5,567,733
Due from the Government of Canada re deficits on Pool Account operations:		
1977-78 Pool Account—Oats		974,911
1979-80 Pool Account—Oats		778,942
The Canadian Wheat Board Building, Winnipeg, at cost less depreciation	2,492,600	2,602,737
Covered hopper cars, at cost less depreciation	86,024,652	89,175,126
Office furniture, equipment and automobiles, at cost less depreciation	931,175	863,447
Deferred and prepaid expenses	1,800,054	756,148
	3,720,475,128	2,449,687,067

LIABILITIES	1981 $	1980 $
Liability to the Banks	1,676,403,453	1,237,733,634
Liability to agents for grain purchased from producers but not yet delivered to the Board	1,114,178,600	370,137,193
Liability to agents for deferred cash tickets	291,162,031	95,963,223
Accrued expenses and accounts payable	96,269,193	32,011,472
Prairie Grain Advance Payments Act	1,259,323	
Outstanding adjustment and final payment cheques to producers:		
—Wheat	1,388,214	700,350
—Durum	250,957	33,652
—Oats	2,550	443,882
—Barley	199,095	144,389
—Designated Barley	16,514	25,971
Special Account—Net balance of undistributed payment accounts	5,989,927	2,155,258
Provision for final payment expenses	6,899,509	7,768,373
Surpluses resulting from operations:		
1980-81 Pool Account:		
—Wheat	419,831,046	546,299,484
—Durum	1,156,364	70,746,098
—Oats	528,074	
—Barley	71,167,414	53,696,101
—Designated Barley	33,772,864	31,827,987
	3,720,475,128	2,449,687,067

W. E. JARVIS
Chief Commissioner

R. L. KRISTJANSON
Assistant Chief Commissioner

C. W. GIBBINGS
Commissioner

J. L. LEIBFRIED
Commissioner

F. M. HETLAND
Commissioner

THE CANADIAN WHEAT BOARD—*Continued*

1980-81 POOL ACCOUNT—WHEAT STATEMENT OF OPERATIONS
FOR THE PERIOD AUGUST 1, 1980, TO COMPLETION OF OPERATIONS ON OCTOBER 31, 1981

(with prior year figures for the 1979-80 Pool Account for comparison)

EXHIBIT II

	1980-81		1979-80	
	Tonnes	Amount	Tonnes	Amount
		$		$
Wheat acquired:				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	17,766,221	3,376,762,070	15,335,986	2,314,134,600
Net tonnes acquired from the adjustment of overages and shortages, etc., at country and terminal elevators at Board initial prices basis in store Thunder Bay or Vancouver	43,798	11,168,317	77,214	12,146,895
	17,810,019	3,387,930,387	15,413,200	2,326,281,495
Wheat sold:				
Completed sales to July 31 basis in store Thunder Bay, Vancouver or Churchill:				
Domestic	1,594,432		1,574,830	
Export	10,350,614		10,195,882	
Weight losses in transit and in drying	907		876	
	11,945,953	2,743,149,690	11,771,588	2,291,966,537
Wheat stocks—Being Wheat stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay, Vancouver or Churchill:				
Completed sales for the period subsequent to July 31:				
Domestic	389,558		313,671	
Export	3,803,238		3,327,941	
Sale to the subsequent Pool Account—Wheat	1,671,270			
	5,864,066	1,258,046,070	3,641,612	714,701,136
	17,810,019	4,001,195,760	15,413,200	3,006,667,673
Surplus on Wheat transactions		613,265,373		680,386,178
Operating costs:				
Carrying charges:				
Carrying charges on Wheat stored in country elevators		116,355,687		82,692,941
Storage on Wheat stored in terminal elevators		8,827,509		10,380,249
		125,183,196		93,073,190
Country elevator administrative charges				5,344,401
Interest, bank charges and net interest on other Board accounts		35,482,063		12,348,236
Demurrage		1,565,628		891,643
Net additional freight on Wheat shipped from country stations to terminal position		2,220,503		2,451,881
Handling and stop-off on wheat warehoused at interior terminals		220,662		(32,771)
Drying charges		216,939		147,976
Protein grading development program		1,338,193		1,310,575
Interest and depreciation on Wheat Board hopper cars		14,314,999		6,274,019
Wheat Board administrative and general expenses		12,892,144		12,277,544
		193,434,327		134,086,694
Surplus on operations of the Board on the Pool Account—Wheat, for the period from August 1, 1980, to October 31, 1981		419,831,046		546,299,484

THE CANADIAN WHEAT BOARD—*Continued*

1980-81 POOL ACCOUNT—AMBER DURUM WHEAT STATEMENT OF OPERATIONS FOR THE PERIOD AUGUST 1, 1980, TO COMPLETION OF OPERATIONS ON OCTOBER 31, 1981

(with prior year figures for the 1979-80 Pool Account for comparison)

EXHIBIT III

	1980-81		1979-80	
	Tonnes	Amount	Tonnes	Amount
		$		$
Durum acquired:				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	2,821,972	666,703,025	1,927,286	313,758,328
Net tonnes acquired from the adjustment of overages and shortages, etc., at country and terminal elevators at Board initial prices basis in store Thunder Bay or Vancouver	18,006	4,099,079	12,454	2,003,083
Purchased from prior year Pool Account—Durum			142,438	23,429,554
	2,839,978	670,802,104	2,082,178	339,190,965
Durum sold:				
Completed sales to July 31 basis in store Thunder Bay, Vancouver or Churchill:				
Domestic	99,080		87,689	
Export	1,735,181		1,564,008	
Weight losses in transit and in drying	7,408		7,943	
	1,841,669	481,065,508	1,659,640	331,527,522
Durum stocks—Being Durum stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay, Vancouver or Churchill:				
Completed sales for the period subsequent to July 31:				
Domestic	29,833		27,507	
Export	695,746		395,031	
Sale to the subsequent Pool Account—Durum	272,730			
	998,309	219,945,527	422,538	96,193,716
	2,839,978	701,011,035	2,082,178	427,721,238
Surplus on Amber Durum Wheat transactions		30,208,931		88,530,273
Operating costs:				
Carrying charges:				
Carrying charges on Durum stored in country elevators		19,750,485		13,517,063
Storage on Durum stored in terminal elevators		1,929,639		1,239,764
		21,680,124		14,756,827
Country elevator administrative charges				674,847
Interest and bank charges		3,176,810		36,349
Demurrage		(393,942)		(966,618)
Net additional freight on Durum shipped from country stations to terminal position		84,906		797,038
Handling and stop-off on Durum warehoused at interior terminals		233,025		125,657
Drying charges		2,934		2,166
Interest and depreciation on Wheat Board hoppers cars		2,273,783		788,461
Wheat Board administrative and general expenses		1,994,927		1,569,448
		29,052,567		17,784,175
Surplus on operations of the Board on the Pool Account—Durum, for the period from August 1, 1980, to October 31, 1981		1,156,364		70,746,098

THE CANADIAN WHEAT BOARD—*Continued*

1980-81 POOL ACCOUNTS—OATS STATEMENT OF OPERATIONS
FOR THE PERIOD AUGUST 1, 1980, TO COMPLETION OF OPERATIONS ON OCTOBER 31, 1981

(with prior year figures for the 1979-80 Pool Account for comparison)

EXHIBIT IV

	1980-81		1979-80	
	Tonnes	Amount	Tonnes	Amount
		$		$
Oats acquired:				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	19,648	1,931,666	24,930	2,059,940
Purchased from prior year(s) Pool Account(s)—Oats	20,010	2,359,449	161,021	18,826,876
	39,658	4,291,115	185,951	20,886,816
Oats sold:				
Completed sales to July 31 basis in store Thunder Bay or Vancouver	34,821	4,767,086	104,103	11,997,045
Weight losses in transit and in drying			3	
Oats stocks—Being Oats stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay or Vancouver:				
Completed sales for period subsequent to July 31	1,106	112,063	61,835	6,578,517
Sale to subsequent Pool Account—Oats	3,731	450,074	20,010	2,359,449
	39,658	5,329,223	185,951	20,935,011
Surplus on Oats transactions		1,038,108		48,195
Operating costs:				
Carrying charges:				
Carrying charges on Oats stored in country elevators		120,484		543,918
Storage on Oats stored in terminal elevators		87,909		(158,736)
		208,393		385,182
Country elevator administrative charges				8,715
Interest and bank charges		236,664		26,089
Demurrage				343,924
Net additional freight on Oats shipped from country stations to terminal position		27,866		19,362
Drying charges		845		
Interest and depreciation on Wheat Board hoppers cars		15,831		10,199
Wheat Board administrative and general expenses		20,435		33,666
		510,034		827,137
Surplus (Deficit) on operations of the Board on the Pool Account—Oats, for the period from August 1, 1980, to October 31, 1981		528,074		(778,942)

THE CANADIAN WHEAT BOARD—*Continued*

1980-81 POOL ACCOUNT—BARLEY STATEMENT OF OPERATIONS FOR THE PERIOD AUGUST 1, 1980, TO COMPLETION OF OPERATIONS ON OCTOBER 31, 1981

(with prior year figures for the 1979-80 Pool Account for comparison)

EXHIBIT V

	1980-81		1979-80	
	Tonnes	Amount	Tonnes	Amount
		$		$
Barley acquired:				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	4,723,319	615,999,061	3,085,170	274,666,754
Net tonnes acquired from the adjustment of overages and shortages, etc., at country and terminal elevators at Board initial prices basis in store Thunder Bay or Vancouver	9,176	1,274,892	10,693	943,915
	4,732,495	617,273,953	3,095,863	275,610,669
Barley sold:				
Completed sales to July 31 basis in store Thunder Bay, Vancouver or Churchill	3,030,519	479,450,096	3,094,881	341,431,888
Weight losses in transit and in drying	3,266		982	
Barley stocks—Being Barley stocks on hand at July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay, Vancouver or Churchill:				
Completed sales for the period subsequent to July 31	1,477,271	217,066,022		
Sale to the subsequent Pool Account—Barley	221,439	30,387,533		
	4,732,495	726,903,651	3,095,863	341,431,888
Surplus on Barley transactions		109,629,698		65,821,219
Operating costs:				
Carrying charges:				
Carrying charges on Barley stored in country elevators		20,194,560		3,669,229
Storage on Barley stored in terminal elevators		2,961,252		909,668
		23,155,812		4,578,897
Country elevator administrative charges				1,082,168
Interest and bank charges		7,364,631		(1,209,674)
Demurrage		(267,412)		2,935,279
Net additional freight on Barley shipped from country stations to terminal position		85,063		380,644
Handling and stop-off on Barley warehoused at interior terminals		6,416		(3,216)
Drying charges		295,495		58,345
Interest and depreciation on Wheat Board hopper cars		3,805,781		1,262,157
Wheat Board Administrative and General Expenses		4,016,498		3,040,518
		38,462,284		12,125,118
Surplus on operations of the Board on the Pool Account—Barley, for the period from August 1, 1980, to October 31, 1981		71,167,414		53,696,101

1980-81 POOL ACCOUNT—DESIGNATED BARLEY STATEMENT OF OPERATIONS FOR THE PERIOD AUGUST 1, 1980, TO COMPLETION OF OPERATIONS ON OCTOBER 31, 1981

(with prior year figures for the 1979-80 Pool Account for comparison)

EXHIBIT VI

	1980-81		1979-80	
	Tonnes	Amount	Tonnes	Amount
		$		$
Designated Barley acquired:				
Purchased from Producers at Board initial prices basis in store Thunder Bay or Vancouver	894,644	148,085,354	953,806	125,853,160
Designated Barley sold:				
Completed sales to July 31 basis in store Thunder Bay or Vancouver	804,361	157,939,178	883,445	143,956,850
Designated Barley stocks—Being Designated Barley stocks on hand July 31 stated at the ultimate value received from the sale thereof, basis in store Thunder Bay or Vancouver:				
Completed sales for the period subsequent to July 31	90,283	19,729,098	70,361	12,521,651
	894,644	177,668,276	953,806	156,478,501
Surplus on designated Barley transactions		29,582,922		30,625,341
Operating costs:				
Country elevator administrative charges				334,055
Interest		(5,655,014)		(2,809,997)
Interest and depreciation on Wheat Board hopper cars		720,853		390,206
Wheat Board administrative and general expenses		744,219		883,090
		(4,189,942)		(1,202,646)
Surplus on operations of the Board on the Pool Account—Designated Barley, for the period from August 1, 1980, to October 31, 1981		33,772,864		31,827,987

THE CANADIAN WHEAT BOARD—*Continued*

STATEMENT OF ADMINISTRATIVE AND GENERAL EXPENSES AND ALLOCATIONS TO OPERATIONS FOR THE YEAR ENDED JULY 31, 1981

(with prior year figures for comparison)

EXHIBIT VII

	1980-81	1979-80
	$	$
Administrative and General Expenses:		
Salaries—Board members, officers and staff	10,840,363	9,542,367
Unemployment insurance, pension, group insurance, medical and other employee benefits	1,466,565	1,227,926
Advisory Committee—Travelling expenses and per diem allowances	69,175	56,952
Rental and lighting of offices including maintenance of The Canadian Wheat Board Building	1,304,987	1,171,127
Telephones—Exchange service and long distance calls	247,120	241,587
Telegrams, cables and telex expense	129,199	129,191
Postage	441,179	501,743
Printing, stationery and supplies	607,759	535,478
Annual report, mini report and "Grain Matters", etc.	139,487	145,258
District meetings	13,775	21,013
Office expense	487,311	318,694
Travelling and transfer of staff	629,550	566,188
Travelling expenses—Inspectors	147,234	141,339
Legal fees and court costs	65,758	13,942
Audit fees	80,000	67,500
Computing equipment—Rental and sundries	1,697,344	1,825,546
Repair and upkeep of office machines and equipment	32,207	32,114
Grain market publications and services	50,415	33,748
The Canadian Wheat Board share of operating expenses of Canadian International Grains Institute	591,542	498,838
Bonds and Insurance	26,130	19,989
Market development	23,081	17,347
Weather surveillance	17,313	8,937
Winnipeg Commodity Exchange dues	10,830	9,950
Depreciation on building, furniture, equipment and automobiles	292,991	301,820
	19,411,315	17,428,594

	1980-81	1979-80
	$	$
Allocations to operations:		
1. Marketing of Producers' Grain:		
1980-81 Pool Account—Wheat	7,347,553	
1980-81 Pool Account—Durum	1,136,958	
1980-81 Pool Account—Oats	12,363	
1980-81 Pool Account—Barley	2,369,188	
1980-81 Pool Account—Designated Barley	438,988	
1979-80 Pool Account—Wheat	5,355,199	
1979-80 Pool Account—Durum	685,716	
1979-80 Pool Account—Oats	13,626	
1979-80 Pool Account—Barley	1,272,710	
1979-80 Pool Account—Designated Barley	369,646	
	19,001,947	17,035,680
2. Distributing Final Payments to Producers:		
(a) Wheat and Durum		
1979-80 Pool Account—Wheat	181,642	
1979-80 Pool Account—Durum	40,168	
1978-79 Pool Account—Wheat	41,683	
1978-79 Pool Account—Durum	7,406	
1977-78 Pool Account—Wheat	5,440	
1976-77 Pool Account—Wheat	3,369	
1975-76 Pool Account—Wheat	1,194	
1974-75 Pool Account—Wheat	575	
	281,477	231,545
(b) Coarse Grains		
1979-80 Pool Account—Barley	83,085	
1979-80 Pool Account—Designated Barley	14,556	
1978-79 Pool Account—Oats	2,488	
1978-79 Pool Account—Barley	16,800	
1978-79 Pool Account—Designated Barley	2,935	
1977-78 Pool Account—Barley	2,403	
1977-78 Pool Account—Designated Barley	424	
1976-77 Pool Account—Oats	1,400	
1976-77 Pool Account—Barley	1,806	
1976-77 Pool Account—Designated Barley	321	
1975-76 Pool Account—Oats	439	
1975-76 Pool Account—Barley	575	
1975-76 Pool Account—Designated Barley	99	
1974-75 Pool Account—Oats	177	
1974-75 Pool Account—Barley	383	
	127,891	101,369
3. Allocation authorized by Order-in-Council from Special Account—Undistributed Payment Accounts in partial payment of administrative and general expenses incurred in respect of the Prairie Grain Advance Payments Act		60,000
	19,411,315	17,428,594

THE CANADIAN WHEAT BOARD—*Concluded*

STATEMENT OF ADVANCE PAYMENTS TO PRODUCERS UNDER THE PRAIRIE GRAIN ADVANCE PAYMENTS ACT AS AT JULY 31, 1981

EXHIBIT VIII

	Cash Advances to Producers	Advances Repaid by Producers	Balance to be Refunded by Producers
	$	$	$
1957-58 Crop Year	35,203,467	35,200,780	2,687
1958-59 Crop Year	34,369,653	34,366,684	2,969
1959-60 Crop Year	38,492,505	38,489,895	2,610
1960-61 Crop Year	63,912,550	63,904,660	7,890
1961-62 Crop Year	16,656,713	16,650,484	6,229
1962-63 Crop Year	29,251,526	29,245,974	5,552
1963-64 Crop Year	62,136,418	62,130,712	5,706
1964-65 Crop Year	32,961,844	32,955,168	6,676
1965-66 Crop Year	40,600,386	40,595,298	5,088
1966-67 Crop Year	36,668,270	36,663,326	4,944
1967-68 Crop Year	47,280,533	47,276,865	3,668
1968-69 Crop Year	151,852,319	151,746,366	105,953
1969-70 Crop Year	272,777,516	272,369,486	408,030
1970-71 Crop Year	91,105,890	91,068,904	36,986
1971-72 Crop Year	68,142,360	68,084,302	58,058
1972-73 Crop Year	20,754,104	20,730,100	24,004
1973-74 Crop Year	35,259,387	35,195,760	63,627
1974-75 Crop Year	46,635,399	46,476,694	158,705
1975-76 Crop Year	20,236,528	20,156,362	80,166
1976-77 Crop Year	130,592,220	130,178,243	413,977
1977-78 Crop Year	119,090,916	118,536,001	554,915
1978-79 Crop Year	151,316,450	150,938,005	378,445
1979-80 Crop Year	99,146,581	98,660,011	486,570
1980-81 Crop Year	61,640,150	58,314,840	3,325,310
	1,706,083,685	1,699,934,920	
Balance to be refunded by Producers as at July 31, 1981			6,148,765
Add: **bank interest to July 31, 1981, payable by the Government of Canada**		64,009,180	
Less: **amount paid to July 31, 1981**		63,948,876	60,304
			6,209,069
Deduct:			
Balance of funds received to cover advance payments in default:			
Government of Canada		904,971	
Line Elevator Companies		95,086	
Interest received on default payments		6,468,335	7,468,392
Owing to the Government of Canada as at July 31, 1981			(1,259,323)

CAPE BRETON DEVELOPMENT CORPORATION

(Established by the Cape Breton Development Corporation Act)

AUDITORS' REPORT

TO THE HONOURABLE
THE MINISTER OF REGIONAL ECONOMIC EXPANSION

We have examined the balance sheet and the statement of equity of the Coal Division and of the Industrial Development Division of the Cape Breton Development Corporation as at March 31, 1982, and the related income and operating statements and the statements of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

The financial statements of the Industrial Development Division and of its subsidiaries have been presented on a consolidated basis. With respect to those subsidiaries of which we are not auditors, we have carried out such inquiries and examinations as we considered necessary in order to accept the reports of other auditors for purposes of consolidation. As required by the provision of the Cape Breton Development Corporation Act, the financial statements of the Coal Division and the Industrial Development Division are being presented separately.

In our opinion, these financial statements present fairly the financial position of the Coal Division and of the Industrial Development Division of the Cape Breton Development Corporation as at March 31, 1982, and the results of their operations and the changes in their financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Also, in our opinion, proper books of account have been kept and the transactions that have come to our notice have been within the power of the Corporation.

TOUCHE ROSS & CO.
Chartered Accountants

Sydney, Nova Scotia
May 13, 1982

COAL DIVISION

BALANCE SHEET AS AT MARCH 31, 1982

ASSETS	1982	1981
	$	$
Current		
Cash	31,354,110	3,435,264
Accounts receivable (Note 2)	28,093,574	47,539,881
Inventories, at the lower of cost and net realizable value		
Coal	30,871,251	8,635,324
Operating materials and supplies	12,758,873	11,530,338
Prepaid expenses	68,218	115,272
	103,146,026	71,256,079
Fixed (Note 3)	179,735,487	126,397,562
	282,881,513	197,653,641

LIABILITIES	1982	1981
	$	$
Current		
Accounts payable—Trade	11,763,990	10,061,123
Accrued wages and vacation pay	12,864,986	11,959,986
Accrued charges	40,000	1,500,000
Employees' deductions	4,917,097	4,377,945
	29,586,073	27,899,054
EQUITY		
Equity of Canada		
Per statement attached	253,295,440	169,754,587
	282,881,513	197,653,641

Commitments (Note 4)
Contingencies (Note 5)

On behalf of the Board:

D. S. RANKIN
Director

J. BURKE
Director

CAPE BRETON DEVELOPMENT CORPORATION—*Continued*

COAL DIVISION

STATEMENT OF EQUITY
FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Balance at beginning of year	169,754,587	93,575,694
Add: payments by Canada in respect of mining losses—Vote 25, 26e (Note 1a)	25,907,236	19,656,753
payments by Canada in respect of repayment of Prince Mine loan		9,520,000
transfer of recoverable contribution to equity		10,000,000
payments by Canada in respect of capital expenditures—Vote 30 (Note 1a)	98,473,000	60,442,000
	294,134,823	193,194,447
Deduct: mining losses	22,328,383	10,545,236
depreciation of fixed assets (Note 1b)	18,511,000	12,894,624
	40,839,383	23,439,860
Balance at end of year	253,295,440	169,754,587

STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Revenue		
Coal sales	112,479,001	129,064,216
Less: external selling expense	3,280,062	2,058,292
	109,198,939	127,005,924
Outside railway revenue	2,611,912	3,519,252
Operating revenue	111,810,851	130,525,176
Operating expenses		
Wages and salaries	71,124,227	62,788,604
Holidays and vacations	10,625,499	8,482,772
Workmen's compensation	9,189,584	6,944,381
Surcharges	6,015,415	3,997,602
Materials and supplies	16,811,961	14,503,476
Repair materials	12,267,278	9,183,733
Electric power	4,669,123	4,577,953
Grants in lieu of taxes	2,614,055	1,982,149
Royalties	639,435	637,588
Hired heavy equipment	3,248,610	3,006,611
Other expenses	2,878,351	2,719,626
Purchased coal	3,818,154	3,669,403
Depreciation	18,511,000	12,894,624
Decrease (Increase) in coal inventory	(22,212,443)	1,217,938
Total operating expenses	140,200,249	136,606,460
Excess operating expenses over operating revenue	28,389,398	6,081,284
Pensions	15,113,555	12,965,238
Pre-retirement leave	4,606,529	4,741,554
Provision for claims	100,695	1,046,871
Interest and other income	(7,370,794)	(1,057,380)
Coal preparation expenses capitalized against Prince Mine		(337,707)
	40,839,383	23,439,860
Deduct: depreciation not deductible in determining mining losses (Note 1b)	18,511,000	12,894,624
Net mining loss, for the year	22,328,383	10,545,236

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Funds provided from		
Payments by Canada		
in respect of mining losses Vote 25, 26e (Note 1a)	25,907,236	19,656,753
in respect of capital expenditures Vote 30 (Note 1a)	98,473,000	60,442,000
in respect of repayment of Prince Mine loan		9,520,000
transfer of recoverable contribution to equity		10,000,000
reclassification of current portion of Prince Mine loan		1,464,267
Proceeds from disposal of fixed assets	125,247	125,273
	124,505,483	101,208,293
Funds used for		
Net mining loss	22,328,383	10,545,236
Expenditure on fixed assets	71,974,172	30,374,082
Transfer of recoverable contribution loan		10,000,000
Reduction in loan due to the Government of Canada		9,520,000
	94,302,555	60,439,318
Increase in working capital	30,202,928	40,768,975
Working capital at beginning of year	43,357,025	2,588,050
Working capital at end of year	73,559,953	43,357,025

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1982

1. Significant Accounting Policies

(a) Financing

The Corporation is financed by way of votes of the Parliament of Canada. These votes are for the purpose of funding mining losses and to finance capital projects.

(b) Depreciation

The Corporation has provided depreciation on its fixed assets based on their estimated useful lives. The Treasury Board of Canada has indicated that depreciation should not be provided in determining mining losses for Parliamentary appropriation. Accordingly, the depreciation provision has been eliminated in arriving at this amount.

2. Accounts Receivable

	1982	1981
	$	$
Trade	10,663,765	19,540,148
Appropriation receivable		
Vote 30 capital expenditures	12,473,000	28,000,000
Vote 26e operating losses	4,868,236	
Employees	178,573	99,733
	28,183,574	47,639,881
Less: allowance for doubtful accounts	90,000	100,000
	28,093,574	47,539,881

CAPE BRETON DEVELOPMENT CORPORATION—*Continued*

COAL DIVISION

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1982—*Concluded*

3. Fixed Assets

	1982	1981
	$	$
Lingan Mine	76,941,562	67,089,823
No. 26 Mine	53,441,856	40,731,919
Prince Mine	41,257,954	31,078,056
Donkin Mine	15,845,867	3,706,362
Coal Preparation Plant	38,371,882	37,423,628
Devco Railway	34,036,097	13,690,076
Other fixed assets	12,292,779	6,619,208
	272,187,997	200,339,072
Accumulated depreciation (Note 1b)	92,452,510	73,941,510
	179,735,487	126,397,562

4. Commitments

Commitments on capital projects for ongoing mining operations include the following:

Approximately $18,000,000 for underground mining equipment
Approximately $4,000,000 for rolling stock
Approximately $8,000,000 for other facilities

The cost of completing Phase II of the Donkin-Morien project consisting of two tunnels at present under construction is forecast at $55,000,000 with completion in 1985.

The Corporation will evaluate the viability of the project before commencing Phase III taking into consideration the quality of coal available and the problems of obtaining adequate financing for the substantial costs involved in the underground development of the mine.

5. Contingent Liabilities and Claims

On February 13, 1981, an explosion occurred on board a vessel carrying a shipment of coal supplied by the Corporation. As at March 31, 1982, there was neither an estimate of damage nor an indication of responsibility available.

6. Long-Term Sales Agreement

The Corporation has signed an agreement with the Nova Scotia Power Corporation which calls for the delivery of a substantial portion of the Corporation's coal production to the Power Corporation. The agreement expires in the year 2011.

7. Pensions

An actuarial valuation of the Cape Breton Development Corporation Non-Contributory Pension Plan as at December 31, 1979 updated to December 31, 1981 indicated an unfunded actuarial liability of $36,579,418 and in addition an experience deficiency of $8,046,483. No provision for these liabilities has been included in the accounts as at March 31, 1982. The former amount is required to be liquidated by 1993 and the latter amount by 1984. The minimum annual amount required, including pension payments, will be as follows:

	$
1982	9,682,072
1983	8,092,804
1984	6,931,484
1985-92	5,089,743
1993	649,954

Current pension payments approximate $7,800,000 and the balance will be funded by the Corporation prior to December 31 in each year.

Changes made in the benefits payable from the plan since the last valuation may have the effect of increasing the unfunded liability. It is anticipated that a new actuarial valuation will be prepared as of December 31, 1982.

8. Remuneration of Directors and Senior Officers

The Corporation had five directors, whose aggregate remuneration for the year was $7,100 (1981—$8,833). The Corporation had nine officers whose aggregate remuneration for the year as officers was $598,996 (1981—$509,156). The president is the only officer who is also a director.

CAPE BRETON DEVELOPMENT CORPORATION—*Continued*

INDUSTRIAL DEVELOPMENT DIVISION

CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 1982

ASSETS	1982	1981
	$	$
Current		
Cash	803,539	3,280,160
Accounts and interest receivable	714,642	1,388,202
Receivable from Province of Nova Scotia	81,240	127,685
Inventories, at lower of cost and net realizable value	1,121,748	1,476,000
Prepaid expense	24,942	16,706
	2,746,111	6,288,753
Loans and investments		
Loans	2,670,197	3,737,031
Investments	126,976	122,609
	2,797,173	3,859,640
Fixed (Notes 2b and 3)	13,874,295	11,522,698
Other		
Deferred charges	17,802	32,306
	19,435,381	21,703,397

LIABILITIES	1982	1981
	$	$
Current		
Accounts payable	742,085	578,771
Long-term debt of subsidiary	29,109	31,388
EQUITY		
Consolidated equity per statement attached (Note 1)	18,664,187	21,093,238
	19,435,381	21,703,397

Commitments (Note 4)
Guarantees (Note 5)

On behalf of the Board:

D. S. RANKIN
Director

J. BURKE
Director

CAPE BRETON DEVELOPMENT CORPORATION—*Continued*

INDUSTRIAL DEVELOPMENT DIVISION

CONSOLIDATED STATEMENT OF EQUITY AS AT MARCH 31, 1982

	1982	1981
	$	$
Consolidated equity at beginning of year	21,093,238	20,068,394
Payments during year from Canada—Vote 35 (Note 1)	8,635,000	8,225,000*
	29,728,238	28,293,394
Deduct:		
Net consolidated operating expenses	11,064,051	7,200,156*
Consolidated equity at end of year	18,664,187	21,093,238

* Restated

CONSOLIDATED OPERATING STATEMENT FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Development and operating expenses		
Industrial operations and assistance	3,553,807	3,756,760
Tourist operations and grants	1,082,287	1,052,543
Marine farming operations	1,757,122	955,210
Sheep farming operations	76,122	87,900
Other primary production	181,105	156,219
Real estate operating costs	750,381	737,871
Community planning and projects	882,416	878,906
Scholarships and apprentice programs	174,871	117,088
New business development assistance	1,721,115	984,951
	10,179,226	8,727,448
Administration expenses		
Salaries	1,594,420	1,203,076
Professional fees	194,112	315,543
Travelling expenses	108,376	110,356
Office and miscellaneous expenses	652,448	352,359
	2,549,356	1,981,334
Depreciation and amortization	1,352,959	1,315,156
Provision for unrecoverable loans and receivables	1,671,876	528,637
	3,024,835	1,843,793
Total operating expenses for the year	15,753,417	12,552,575
Revenue		
Interest	945,029	879,251*
Industrial operations	1,575,796	2,515,295
Tourist operations	746,385	731,017
Marine farming operations	277,861	321,383
Sheep farming operations	27,280	31,630
Real estate rentals	1,078,689	860,645
Other primary production	38,326	13,198
	4,689,366	5,352,419*
Net consolidated operating expenses	11,064,051	7,200,156*

* Restated

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Funds provided by		
Payment from Canada	8,635,000	8,225,000*
Repayment and reduction of loans	459,378	480,986
Proceeds on sale of fixed assets	273,987	198,211
	9,368,365	8,904,197*
Funds used for		
Consolidated operating expenses (net of income)	11,064,051	7,200,156*
Less: items not requiring an outlay of funds		
depreciation and amortization	1,352,959	1,315,156
provision for doubtful loans and investments	1,621,546	260,872
forgiveable portion of loans transferred to grants	381,937	152,807
assets written-off—Oyster program	328,806	
gain on sale of fixed assets	(53,572)	68,657
reduction in deferred charges	14,504	28,583
	7,417,871	5,374,081*
Loans	1,396,027	1,300,649
Purchase of fixed assets		
rental facilities	541,411	184,629
tourist facilities	1,827,385	764,715
primary industry facilities	427,963	495,686
secondary industry facilities	1,457,018	604,132
Loss on winding up of subsidiary		54,378
Purchase of investments	4,367	10
Decrease in long-term debt	2,279	1,907
	13,074,321	8,780,187*
Increase (Decrease) in working capital	(3,705,956)	124,010
Working capital at beginning of year	5,709,982	5,585,972
Working capital at end of year	2,004,026	5,709,982

* Restated

CAPE BRETON DEVELOPMENT CORPORATION—*Concluded*

INDUSTRIAL DEVELOPMENT DIVISION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 1982

1. General Policy

The objects of the Industrial Development Division are to promote and assist the financing and development of industry to provide employment on the Island of Cape Breton. In accomplishing these aims, the Corporation makes loans and investments, the amounts of which are often in excess of those which would be available through normal commercial sources. The Corporation also makes grants to assist enterprises which are considered likely to make a substantial improvement of the development of Cape Breton Island.

The Industrial Development Division is financed by way of Vote of the Parliament of Canada. Parliament voted $8,635,000 for this purpose during the fiscal year ended March 31, 1982.

2. Significant Accounting Policies

(a) Basis of Consolidation

The financial statements of the Industrial Development Division include the results of the Division and all its subsidiaries as explained below. The subsidiaries are as follows:

	Corporation Interest	Company Year End
Darr (Cape Breton) Limited (Real Estate)	100%	December 31
Cape Breton Marine Farming Limited (Fish and Oyster Farming)	100%	March 31
Whale Cove Summer Village Limited (Tourist Accommodations)	62.5%	March 31
Dundee Estates Limited (Tourist Accommodations)	100%	March 31
Cape Breton Woolen Mills Limited (Carding and Spinning)	53.3%	March 31

As the financial statements of Whale Cove Summer Village Limited and Cape Breton Woolen Mills Limited showed deficit equity positions as at March 31, 1982, and the minority interest in losses to date have been absorbed against the total of the minority invested capital, the losses of these companies for the respective years are included in the consolidated net loss. As a consequence, no minority interest is shown in the balance sheet for these subsidiaries.

(b) Fixed Assets

Fixed assets are recorded at cost. The cost of related depreciation of items retired or disposed of are removed from the books and any gains or losses are included in the consolidated operating statement. Depreciation is provided on the straight-line method using rates based on the estimated useful lives of the assets generally as follows:

Buildings	Up to 20 years
Equipment	4 to 10 years
Vehicles	3 to 4 years

(c) Accounting Policy—Certain Subsidiaries

The statements of Dundee Estates Limited and of Cape Breton Marine Farming Limited both include notes indicating that their statements have been prepared on the assumption that the companies can continue to operate as going concerns, which assumption depends on the continued financial support of Cape Breton Development Corporation.

3. Fixed Assets

	1982	1981
	$	$
Rental facilities	5,982,329	5,441,279
Tourist facilities	8,168,018	6,345,933
Primary industry facilities	2,308,474	2,651,136
Secondary industry facilities	4,388,097	3,211,312
	20,846,918	17,649,660
Less: accumulated depreciation	6,972,623	6,126,962
	13,874,295	11,522,698

The four categories of fixed assets shown above each include land, buildings and equipment.

4. Commitments

As at March 31, 1982, the Industrial Development Division of the Corporation was committed to expenditures and loans totalling approximately $1,600,000 over and above the amounts included in the financial statements at that date.

5. Guarantees

During the 1976 year, the Corporation guaranteed the repayment by Sydney Steel Corporation of that company's $70,000,000—11¼% Series D Debentures and the repayment of interest thereon. These funds were borrowed by Sydney Steel Corporation for the purpose of financing its plant rehabilitation program. The balance of the outstanding debentures has since been reduced to $57,260,000.

The Corporation in 1971 guaranteed the repayment of bank advances to Stora Kopparbergs Bergslags Aktiebolag. This guarantee originally amounted to $30,000,000. The balance of advances has since been reduced to $15,000,000 of which $5,000,000 is in U.S. dollars.

The Corporation made the guarantees for and on behalf of Her Majesty the Queen in right of Canada; therefore, any amounts required to be paid shall be paid out of the Consolidated Revenue Fund of Canada and not out of funds of Cape Breton Development Corporation.

6. Remuneration of Directors and Senior Officers

The Corporation had five directors, whose aggregate remuneration for the year was $7,100 (1981—$8,833). The Corporation had nine officers whose aggregate remuneration for the year as officers was $598,996 (1981—$509,156). The president is the only officer who is also a director.

CROWN ASSETS DISPOSAL CORPORATION

(Established by the Surplus Crown Assets Act)

AUDITOR'S REPORT

THE HONOURABLE JEAN-JACQUES BLAIS, P.C., M.P.
MINISTER OF SUPPLY AND SERVICES

I have examined the balance sheet of Crown Assets Disposal Corporation as at March 31, 1982 and the statements of operations and retained earnings and changes in financial position for the year then ended for the General Account, and the balance sheet as at March 31, 1982 and the statement of transactions for the year then ended for the Agency Account. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements give a true and fair view of the financial position of the Corporation as at March 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and, except for the failure to remit funds to Canada within the time periods prescribed by the Surplus Crown Assets Act as referred to in Note 2 to the financial statements, the transactions that have come under my notice have been within its statutory powers.

KENNETH M. DYE
Auditor General of Canada

Ottawa, Ontario
June 17, 1982

GENERAL ACCOUNT

BALANCE SHEET AS AT MARCH 31, 1982

ASSETS	1982	1981	LIABILITIES	1982	1981
	$	$		$	$
Current			Current		
Cash and term deposits	2,600	302,300	Bank indebtedness	42,836	112,926
Due from Agency Account	482,547	146,361	Accounts payable and accrued liabilities	475,079	391,663
Other	175,487	75,232		517,915	504,589
	660,634	523,893	Provision for employee termination benefits	97,700	68,045
Fixed, at cost				615,615	572,634
Furniture and equipment	278,446	216,997	EQUITY OF CANADA		
Leasehold improvements	72,962	67,924	Retained earnings	187,844	80,212
	351,408	284,921			
Less: accumulated depreciation	208,583	155,968			
	142,825	128,953			
	803,459	652,846		803,459	652,846

Approved by the Board:

G. A. BERGER
Director

L. G. CRUTCHLOW
Director

CROWN ASSETS DISPOSAL CORPORATION—*Continued*

GENERAL ACCOUNT

STATEMENT OF OPERATIONS AND RETAINED EARNINGS FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Income		
Commissions	4,393,810	3,430,081
Other	164,052	94,080
	4,557,862	3,524,161
Expenses		
Salaries and employee benefits	2,398,435	2,047,083
Rent and utilities	525,619	422,485
Maintenance and transportation of goods sold	312,513	15,936
Communications	278,727	261,662
Printing, stationery and office supplies	205,155	197,141
Advertising and publicity	168,590	53,159
Data processing	165,040	223,805
Travel	104,415	111,619
Maintenance and rental of furniture and equipment	90,644	83,157
Professional and special services	85,935	204,854
Depreciation	54,752	36,590
Moving and staff relocation	14,009	14,007
Other	46,396	72,451
	4,450,230	3,743,949
Net income (loss) for the year	107,632	(219,788)
Retained earnings at beginning of the year	80,212	300,000
Retained earnings at end of the year	187,844	80,212

GENERAL ACCOUNT

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Funds provided		
Operations		
Net income for the year	107,632	
Items not requiring an outlay of funds		
Provision for employee termination benefits	29,655	
Depreciation	54,752	
	192,039	
Proceeds on disposal of furniture and equipment	3,510	
	195,549	
Funds applied		
Operations		
Loss for the year		219,788
Items not requiring an outlay of funds		
Provision for employee termination benefits		(16,543)
Depreciation		(36,590)
		166,655
Purchase of furniture and equipment	67,099	55,165
Leasehold improvements	5,035	13,135
	72,134	234,955
Increase (decrease) in working capital	123,415	(234,955)
Working capital at beginning of the year	19,304	254,259
Working capital at end of the year	142,719	19,304

AGENCY ACCOUNT

BALANCE SHEET AS AT MARCH 31, 1982

ASSETS	1982	1981
	$	$
Current		
Cash and term deposits	1,538,330	2,276,605
Accounts receivable		
Canada	203,271	253,580
Others	2,431,428	1,273,932
Accrued interest receivable	181,281	109,549
Current portion of long-term receivables (Note 4)	361,580	2,584,882
Prepaid expenses	229,632	137,071
	4,945,522	6,635,619
Long-term receivables (Note 4)	1,760,013	2,133,997
	6,705,535	8,769,616

LIABILITIES	1982	1981
	$	$
Current		
Accounts payable and accrued liabilities	67,628	170,711
Advance payments received from customers	8,904	25,908
Contractors' security deposits	85,750	64,814
Due to General Account	482,547	146,361
Current portion due to Canada and others (Note 5)	4,300,693	6,227,825
	4,945,522	6,635,619
Due to Canada and others (Note 5)	1,760,013	2,133,997
	6,705,535	8,769,616

Approved by the Board:

G. A. BERGER
Director

L. G. CRUTCHLOW
Director

CROWN ASSETS DISPOSAL CORPORATION—*Continued*

AGENCY ACCOUNT

STATEMENT OF TRANSACTIONS
FOR THE YEAR ENDED MARCH 31, 1982

	1982			1981		
	Due to Canada	Due to Others	Total	Due to Canada	Due to Others	Total
	$	$	$	$	$	$
Sales	17,873,802	1,218,535	19,092,337	15,903,293	1,146,448	17,049,741
Less: direct sales expenses	254,620	2,142	256,762	830,013	5,025	835,038
	17,619,182	1,216,393	18,835,575	15,073,280	1,141,423	16,214,703
Interest earned on long-term sales agreements	324,737		324,737	417,572		417,572
Other interest and miscellaneous income	616,286		616,286	475,270		475,270
Net proceeds before commissions	18,560,205	1,216,393	19,776,598	15,966,122	1,141.423	17,107,545
Less: commissions	4,136,242	257,568	4,393,810	3,242,856	187,225	3,430,081
Net proceeds	14,423,963	958,825	15,382,788	12,723,266	954,198	13,677,464
Less: remittances	14,951,163	1,178,361	16,129,524	11,771,730	673,408	12,445,138
mortgage transferred	1,303,532		1,303,532			
allowance for doubtful accounts	250,848		250,848	25,674		25,674
	16,505,543	1,178,361	17,683,904	11,797,404	673,408	12,470,812
Increase (decrease) for the year	(2,081,580)	(219,536)	(2,301,116)	925,862	280,790	1,206,652
Balance at beginning of the year	7,940,836	420,986	8,361,822	7,014,974	140,196	7,155,170
Balance at end of the year	5,859,256	201,450	6,060,706	7,940,836	420,986	8,361,822

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1982

1. Objectives and operations

The Surplus Crown Assets Act, administered by the Minister of Supply and Services, established the Corporation to act as an agent of the Crown in the sale of surplus assets. The Act requires that each department, and other bodies, report to the Minister any property in its custody or under its control or administration that is determined as surplus to its requirements. The Act also allows agents of Her Majesty and boards, commissions, corporations and other bodies that are not agents of Her Majesty, but, that are ultimately accountable to Parliament for the conduct of their affairs, the option to use the services of the Corporation. The Corporation has the authority to sell or otherwise deal with such surplus property and to transfer net proceeds received from sales to the Consolidated Revenue Fund or to the agents of Her Majesty, boards, commissions, corporations and other bodies that are not agents of Her Majesty. Land and buildings (Order-in-Council P.C. 1974-2756 December 12, 1974) and certain commodities are exempted from sale by the Corporation.

The Agency Account represents amounts on hand and/or uncollected on sales of surplus assets which have not yet been remitted to Canada and others.

The primary objective of the Corporation is to obtain on behalf of the Crown the highest return from the sale of surplus assets.

2. Statutory financial limitations

The Surplus Crown Assets Act, Section 11(2) requires that:

All monies deposited in the Corporation's bank accounts except

(a) monies paid or advanced to the Corporation by Her Majesty on account of working capital, and

(b) such percentage of the net proceeds of sales and of all other monies received by the Corporation during any period as the Governor in Council may from time to time fix to be retained to meet administrative costs or other expenses of the Corporation, and

(c) the net proceeds of sales of property reported by other than a department of the Government of Canada less any amount retained pursuant to paragraph (b) with respect to each such sale,

shall be transferred or deposited to the credit of the Receiver General or remitted to each board, commission, corporation or other body on a day not later than the last day of the month following receipt thereof by the Corporation.

On a number of occasions during the year, the monies relating to the Agency Account were not remitted on time as required by Section 11(2) of the Surplus Crown Assets Act. However, the Corporation is continuing to improve in its efforts to remit monies on time as required by the Act.

Order-in-Council P.C. 1970-534, March 24, 1970 requires that the Corporation pay to Canada, at intervals of not longer than six months, the excess of the Corporation's retained earnings over $300,000.

3. Significant accounting policies

(a) Recognition of revenue

Sales and related commissions are recorded in the Agency Account when the Corporation accepts an offer to purchase, with the exception of some sales contracts where the value of

CROWN ASSETS DISPOSAL CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1982—*Concluded*

the sale is undeterminable until after the goods are weighed upon receipt by the purchaser. For these contracts, sales are recorded upon receipt of goods by the purchaser.

(b) Depreciation

Depreciation of furniture and equipment is recorded on the straight-line method over five years, and depreciation of leasehold improvements is recorded on the straight-line method over the term of the leases.

(c) Employee termination benefits

The employees of the Corporation are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees.

(d) Prepaid expenses

Direct sales expenses incurred relating to certain surplus assets not sold at the end of the year are shown as prepaid expenses.

(e) Income tax

The Corporation is not subject to the provisions of any income tax act.

4. Long-term receivables—Agency Account

Long-term receivables include mortgages which relate to land and buildings sold prior to 1974 and loans outstanding from the sale of a ship and major equipment.

5. Due to Canada and others—Agency Account

These amounts do not become payable to Canada until monies are received from customers.

6. Commission to agents

During the year, Vebeg, an agency of the Government of the Federal Republic of Germany, retained approximately $9,937 (1981—$10,000) from proceeds it remitted to the Corporation.

7. Lease commitments

The Corporation leases certain properties used in the performance of its operations. As at March 31, 1982, the aggregate minimum annual rentals for all such leases are:

	$
1982-83	395,510
1983-84	345,909
1984-85	203,562
1985-86	93,739
1987 on	16,297

8. Contingencies

(a) The Corporation has taken legal action against a certain customer to collect a receivable of approximately $360,000. The Corporation has been advised by the Department of Justice that it has a valid claim. However, it is uncertain whether this customer will be financially able to pay this claim. No allowance for doubtful accounts has been made in respect of this claim as the ultimate amount of loss, if any, is not determinable. Any settlement resulting from the resolution of this action will be charged against the operations of the period in which the settlement occurs.

(b) A company who was unable to fulfill its contractual obligation in the purchase of certain surplus assets has commenced legal action against the Corporation to recover deposits made under the contract with an additional claim for damages. The Corporation believes that this company has no valid claim against the Corporation and that no loss will arise from the action.

9. Subsequent event

An Order-in-Council P.C. 1982-14/1256, dated April 22, 1982, conferred upon the Corporation the power to engage the services of the Department of Supply and Services in carrying out, on its behalf, the functions, powers and duties relating to disposal of materiel set out in Sections 5 and 18 of the Surplus Crown Assets Act, and in Orders-in-Council P.C. 1979-1879 dated July 12, 1979 and P.C. 1980-1589 dated June 12, 1980.

The financial effect on the future operations of the Corporation is not determinable at this time.

CROWN ASSETS DISPOSAL CORPORATION
(Established by the Surplus Crown Assets Act)

AUDITOR'S REPORT

THE HONOURABLE JEAN-JACQUES BLAIS, P.C., M.P.
MINISTER OF SUPPLY AND SERVICES

I have examined the balance sheet of Crown Assets Disposal Corporation as at March 31, 1981 and the statements of operations and retained earnings and changes in financial position for the year then ended for the General Account, and the balance sheet as at March 31, 1981 and the statement of transactions for the year then ended for the Agency Account. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements give a true and fair view of the financial position of the Corporation as at March 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and, except for the failure to remit funds to Canada within the time periods prescribed by the Surplus Crown Assets Act as referred to in Note 3 to the financial statements, the transactions that have come under my notice have been within its statutory powers.

KENNETH M. DYE
Auditor General of Canada

Ottawa, Ontario
June 30, 1981

GENERAL ACCOUNT

BALANCE SHEET AS AT MARCH 31, 1981

ASSETS	1981	1980	LIABILITIES	1981	1980
	$	$		$	$
Current			Current		
Cash and term deposits	302,300	252,300	Bank indebtedness	112,926	111,153
Due from Agency Account	146,361	345,973	Accounts payable and accrued liabilities	391,663	230,424
Other	75,232	42,581	Due to Canada		45,018
	523,893	640,854		504,589	386,595
Fixed, at cost			Provision for employee termination benefits	68,045	51,502
Furniture and equipment	216,997	161,832		572,634	438,097
Leasehold improvements	67,924	54,789	EQUITY OF CANADA		
	284,921	216,621	Retained earnings	80,212	300,000
Less: accumulated depreciation	155,968	119,378			
	128,953	97,243			
	652,846	738,097		652,846	738,097

The accompanying notes are an integral part of the financial statements.

Approved by the Board:

G. A. BERGER
Director

L. G. CRUTCHLOW
Director

CROWN ASSETS DISPOSAL CORPORATION—*Continued*

GENERAL ACCOUNT

STATEMENT OF OPERATIONS AND RETAINED EARNINGS FOR THE YEAR ENDED MARCH 31, 1981

	1981	1980
	$	$
Income		
Commission	3,430,081	3,143,480
Other	94,080	47,772
	3,524,161	3,191,252
Expenses		
Salaries and employee benefits	2,047,083	1,592,972
Rent	422,485	354,176
Communications	261,662	212,186
Data processing	223,805	119,058
Professional and special services	204,854	81,493
Printing, stationery and office supplies	197,141	184,784
Travel	111,619	92,114
Maintenance and rental of furniture and equipment	83,157	16,833
Advertising and publicity	53,159	57,398
Depreciation	36,590	26,972
Maintenance and transportation of goods sold	15,936	23,464
Moving and staff relocation	14,007	25,454
Other	72,451	63,677
	3,743,949	2,850,581
Net income (loss) for the year	(219,788)	340,671
Retained earnings at beginning of the year	300,000	171,997
	80,212	512,668
Less: amounts due to Canada		212,668
Retained earnings at end of the year	80,212	300,000

The accompanying notes are an integral part of the financial statements.

GENERAL ACCOUNT

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1981

	1981	1980
	$	$
Funds provided from operations		
Net income for the year		340,671
Items not requiring an outlay of funds		
Provision for employee termination benefits		811
Depreciation		26,972
		368,454
Funds applied		
Operations		
Loss for the year	219,788	
Items not requiring an outlay of funds		
Provision for employee termination benefits	(16,543)	
Depreciation	(36,590)	
	166,655	
Purchase of furniture and equipment	55,165	36,032
Leasehold improvements	13,135	14,428
Retained earnings due to Canada		212,668
	68,300	263,128
Increase (decrease) in working capital	(234,955)	105,326
Working capital at beginning of the year	254,259	148,933
Working capital at end of the year	19,304	254,259

The accompanying notes are an integral part of the financial statements.

AGENCY ACCOUNT

BALANCE SHEET AS AT MARCH 31, 1981

ASSETS	1981	1980
	$	$
Current		
Cash and term deposits	2,795,412	2,709,013
Deposit with Canada		100,000
Accounts receivable		
Canada	253,580	121,134
Others	1,273,932	823,656
Accrued interest receivable	109,549	116,397
Current portion of long-term receivables (Note 4)	2,584,882	1,556,795
	7,017,355	5,426,995
Long-term receivables (Note 4)	2,133,997	3,592,884
Deferred charges	137,071	108,987
	9,288,423	9,128,866

LIABILITIES	1981	1980
	$	$
Current		
Bank indebtedness	518,807	1,401,278
Accounts payable and accrued liabilities	170,711	86,686
Advance payments received from customers	25,908	27,037
Contractors' security deposits	64,814	112,722
Due to General Account	146,361	345,973
Due to Canada and others—Current portion (Note 5)	6,227,825	3,562,286
	7,154,426	5,535,982
Due to Canada and others (Note 5)	2,133,997	3,592,884
	9,288,423	9,128,866

The accompanying notes are an integral part of the financial statements.

Approved by the Board:

G. A. BERGER
Director

L. G. CRUTCHLOW
Director

CROWN ASSETS DISPOSAL CORPORATION—*Continued*

AGENCY ACCOUNT

STATEMENT OF TRANSACTIONS
FOR THE YEAR ENDED MARCH 31, 1981

	1981			1980		
	Due to Canada	Due to Others	Total	Due to Canada	Due to Others	Total
	$	$	$	$	$	$
Gross sales	15,903,293	1,146,448	17,049,741	14,251,909	1,100,974	15,352,883
Less: direct sales expenses	830,013	5,025	835,038	231,695	14,214	245,909
Net sales	15,073,280	1,141,423	16,214,703	14,020,214	1,086,760	15,106,974
Interest earned on long-term sales agreements	417,572		417,572	452,408		452,408
Other interest and miscellaneous income	475,270		475,270	261,658		261,658
Other income	892,842		892,842	714,066		714,066
Net proceeds before commissions	15,966,122	1,141,423	17,107,545	14,734,280	1,086,760	15,821,040
Less: commissions	3,242,856	187,225	3,430,081	2,892,388	251,092	3,143,480
Net proceeds	12,723,266	954,198	13,677,464	11,841,892	835,668	12,677,560
Less: remittances	11,771,730	673,408	12,445,138	12,048,873	738,128	12,787,001
provision for doubtful accounts	23,174		23,174	43,000		43,000
accounts written off	2,500		2,500			
	11,797,404	673,408	12,470,812	12,091,873	738,128	12,830,001
Net increase (decrease) for the year	925,862	280,790	1,206,652	(249,981)	97,540	(152,441)
Balance at beginning of the year	7,014,974	140,196	7,155,170	7,264,955	42,656	7,307,611
Balance at end of the year	7,940,836	420,986	8,361,822	7,014,974	140,196	7,155,170

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1981

1. Objectives and operations of the Corporation

The Surplus Crown Assets Act, administered by the Minister of Supply and Services, established the Crown Assets Disposal Corporation to act as an agent of the Crown in the sale of surplus assets. The Act requires that each department, and other bodies, report to the Minister any property in its custody or under its control or administration that is determined as surplus to its requirements. The Act also allows agents of Her Majesty and boards, commissions, corporations and other bodies that are not agents of Her Majesty, but, that are ultimately accountable to Parliament for the conduct of their affairs, the option to use the services of Crown Assets Disposal Corporation. The Corporation has the authority to sell or otherwise deal with such surplus property and to transfer net proceeds received from sales to the Consolidated Revenue Fund or to the agents of Her Majesty, boards, commissions, corporations and other bodies that are not agents of Her Majesty. Lands and buildings and certain commodities are exempted from sale by the Corporation.

The Agency Account represents amounts on hand and/or uncollected on sales of surplus assets which have not yet been remitted to Canada and others.

The primary objective of the Corporation is to obtain on behalf of the Crown the highest return from the sale of surplus assets.

2. Significant accounting policies

(a) Recognition of revenue

Sales and related commissions are recorded in the Agency Account when the Corporation accepts an offer to purchase, with the exception of some sales contracts where the value of the sale is undeterminable until after the goods are weighed upon receipt by the purchaser. For these contracts, sales are recorded upon receipt of goods by the purchaser.

(b) Depreciation

Depreciation of furniture and equipment is recorded on the straight-line method over five years, and for leasehold improvements is recorded on the straight-line method over the term of the leases.

(c) Employee termination benefits

The employees of the Corporation are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees.

(d) Deferred charges

Direct sales expenses incurred relating to certain surplus assets not sold at the end of the year are deferred.

(e) Income tax

The Corporation is not subject to the provisions of any income tax act.

3. Statutory financial limitations

The Surplus Crown Assets Act, section 11(2) requires that:
All monies deposited in the Corporation's bank accounts except

(a) monies paid or advanced to the Corporation by Her Majesty on account of working capital, and

(b) such percentage of the net proceeds of sales and of all other monies received by the Corporation during any period as the Governor in Council may from time to time fix to be retained to meet administrative costs or other expenses of the Corporation, and

CROWN ASSETS DISPOSAL CORPORATION—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1981—*Concluded*

(c) the net proceeds of sales of property reported by other than a department of the Government of Canada less any amount retained pursuant to paragraph (b) with respect to each such sale,

shall be transferred or deposited to the credit of the Receiver General or remitted to each board, commission, corporation or other body that reported property, on a day not later than the last day of the month following receipt thereof by the Corporation.

The transfer of monies to be deposited to the credit of the Receiver General or remitted to each board, commission, corporation or other body that reported property, is calculated from the statement of transactions for the Agency Account.

The monies relating to the Agency Account have not always been remitted on time due partly to the time required to prepare the statement of transactions for the Agency Account from which the monies to be remitted are calculated.

Order in Council P.C. 1970-534, 24 March, 1970 requires that all of the Corporation's surplus in excess of $300,000 be paid to Canada at intervals of not longer than six months.

4. Long-term receivables—Agency Account

Long-term receivables include mortgages which arise principally from sales of lands and buildings and loans outstanding from customers resulting from sales of ships and major equipment.

	1981	1980
	$	$
Long-term receivables	4,718,879	5,149,679
Less: current portion	2,584,882	1,556,795
	2,133,997	3,592,884

5. Due to Canada and others—Agency Account

These amounts do not become payable until monies are received from customers.

	1981	1980
	$	$
Due to Canada and others	8,361,822	7,155,170
Less: current portion	6,227,825	3,562,286
	2,133,997	3,592,884

6. Commission to agents

During the year, Vebeg, an agency of the Government of the Federal Republic of Germany, retained approximately $10,000 (1980—$12,000) from proceeds it remitted to the Corporation.

7. Lease commitments

The Corporation leases certain properties used in the performance of its operations. As at March 31, 1981, the aggregate minimum annual rentals for all such leases are:

	$
1981-82	414,000
1982-83	311,000
1983-84	248,000
1984-85	151,000
1986 on	89,000

8. Contingency

The Corporation has taken legal actions against certain customers to collect receivables of approximately $500,000. These actions are awaiting court decisions. The Corporation has been advised by the Department of Justice that it has valid claims. However, it is uncertain whether these customers will be financially able to pay these claims.

No provision for doubtful accounts has been made in respect of these claims as the ultimate amount of loss, if any, is not determinable. Any settlement resulting from the resolution of these actions will be charged against the operations of the period in which the settlement occurs.

DEFENCE CONSTRUCTION (1951) LIMITED

(Incorporated under the Canada Business Corporations Act)

AUDITOR'S REPORT

THE HONOURABLE GILLES LAMONTAGNE, P.C., M.P.
MINISTER OF NATIONAL DEFENCE

I have examined the balance sheet of Defence Construction (1951) Limited as at March 31, 1982 and the statements of operations and deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Company as at March 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Company, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

E. R. ROWE
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Ontario
June 4, 1982

BALANCE SHEET AS AT MARCH 31, 1982

ASSETS	1982	1981
	$	$
Current		
Cash	638,085	441,684
Accounts receivable—Government departments and agencies	37,173	120,798
Other	26,914	9,234
	702,172	571,716
Fixed, at cost		
Furniture and equipment	533,692	334,675
Less: accumulated depreciation	326,840	269,211
	206,852	65,464
	909,024	637,180

LIABILITIES	1982	1981
	$	$
Current		
Accounts payable and accrued liabilities	132,902	57,892
Payroll deductions payable	266,767	218,064
Due to Canada	187,073	12,426
Contractors' security deposits (Note 3)	115,399	283,303
Accrued employees' leave	523,551	416,244
	1,225,692	987,929
Provision for employee benefits (Note 4)	2,623,262	2,185,050
	3,848,954	3,172,979
CAPITAL STOCK AND DEFICIT		
Capital stock		
Authorized-1,000 shares of no par value		
Issued-31 shares fully paid	31	31
Deficit (Note 5)	(2,939,961)	(2,535,830)
	(2,939,930)	(2,535,799)
	909,024	637,180

Approved by the Board:

A. G. BLAND
Director

L. E. DAVIES
Director

DEFENCE CONSTRUCTION (1951) LIMITED—*Continued*

STATEMENT OF OPERATIONS AND DEFICIT FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Expenses		
Salaries	8,412,842	7,235,157
Employee benefits	816,492	686,231
Travel and removal	560,725	502,996
Telephone and telegraph	251,210	212,266
Office accommodation	220,750	196,966
Advertising	169,954	143,500
Office supplies and maintenance	164,815	152,809
Postage, express and freight	105,394	96,582
Professional services	98,827	97,476
Depreciation	67,250	27,107
Rental of machinery	57,561	58,450
Other	54,742	53,276
	10,980,562	9,462,816
Recoveries of expenses (Note 6)	391,504	588,517
Cost of operations	10,589,058	8,874,299
Parliamentary appropriations (Note 7)	10,184,927	8,436,293
Excess of cost of operations over parliamentary appropriations	404,131	438,006
Deficit at beginning of the year	2,535,830	2,097,824
Deficit at end of the year	2,939,961	2,535,830

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Funds provided		
Parliamentary appropriations	10,184,927	8,436,293
Funds applied		
Cost of operations	10,589,058	8,874,299
Less: items not requiring an outlay of funds		
Depreciation	67,250	27,107
Provision for employee benefits	477,738	450,844
	10,044,070	8,396,348
Employee benefit payments	39,526	114,934
Purchase of fixed assets	208,638	36,349
	10,292,234	8,547,631
Increase in working capital deficiency	107,307	111,338
Working capital deficiency at beginning of the year	416,213	304,875
Working capital deficiency at end of the year	523,520	416,213

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1982

1. Objectives and operations

The Company was incorporated under the Canada Corporations Act in 1951 and is continued under the Canada Business Corporations Act, pursuant to the authority of the Defence Production Act, to contract for major military construction and maintenance projects required by the Department of National Defence.

The Company's principal functions in the field of construction management are to obtain tenders, make recommendations regarding proposed awards and to award and administer contracts. As an integral part of its responsibility for contract administration, the Company inspects the work to ensure completion in accordance with the contract and certifies contractors' progress claims for payment from funds of the Department of National Defence. It also engages architectural and engineering firms to prepare plans and specifications in accordance with the requirements of the Department of National Defence. It may provide technical and administrative assistance on construction matters to other government departments when required.

2. Significant accounting policies

Net expense

The accounts of the Company reflect only the administrative expenses incurred in procuring the construction and maintenance of defence projects on behalf of the Department of National Defence and in procuring the construction of such other projects as are approved by Treasury Board.

Depreciation

Depreciation is provided by the straight-line method over five years.

Employee benefits

Employee benefits are expensed when earned by employees.

Pensions

During the year, the Company made payments of $427,013 ($346,722 in 1981) in respect of current contributions to the Public Service Superannuation Account of the Government of Canada. The Account is actuarially valued every five years. The Company's contributions and recorded liabilities are limited to the matching of the current and certain arrears contributions of employees. The Company is not required to make contributions with respect to actuarial deficiencies of the Account.

Parliamentary appropriations

The cost of operations is funded by parliamentary appropriations through the Department of National Defence Vote 15 (1981-Votes 5 and 15) to the extent of net annual cash requirements.

3. Contractors' security deposits

Contractors' security deposits represent bid deposits of $71,945 (1981-$247,278) and deposits on plans and specifications of $43,454 (1981-$36,025).

4. Provision for employee benefits

	1982	1981
	$	$
Termination benefits	2,112,770	1,722,492
Life insurance for retired employees	379,172	360,995
Furlough benefits	131,320	101,563
	2,623,262	2,185,050

DEFENCE CONSTRUCTION (1951) LIMITED—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1982—*Concluded*

5. Deficit

The deficit of the Company is comprised primarily of the liabilities for employee benefits which will require funding from parliamentary appropriations in future years as they are paid.

6. Recoveries of expenses

The Company provides certain technical and administrative assistance to the Department of National Defence and other government departments and agencies on a cost-recovery basis.

7. Income tax

The Company is not liable for the payment of income taxes.

8. Comparative figures

Certain of the 1981 comparative figures have been reclassified to conform with current year presentation.

9. Supplementary information

The Company's contracting activity on behalf of government departments and agencies is summarized below:

	1982	1981
	(in thousands of dollars)	
Contracts in progress at beginning of the year	242,759	203,265
Contracts awarded	169,289	173,787
	412,048	377,052
Contracts completed	121,856	134,293
Contracts in progress at end of the year	290,192	242,759
Payments on contracts in progress at end of the year	193,435	156,685
Work outstanding on contracts in progress at end of the year	96,757	86,074

ELDORADO NUCLEAR LIMITED

AUDITOR'S REPORT

THE HONOURABLE MARC LALONDE, P.C., Q.C., M.P.
MINISTER OF ENERGY, MINES AND RESOURCES

We have examined the statement of consolidated financial position of Eldorado Nuclear Limited as at December 31, 1981 and the statements of consolidated earnings and retained earnings and changes in consolidated financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements give a true and fair view of the financial position of the Company as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report that, in our opinion, proper books of account have been kept by the Company, the financial statements are in agreement therewith and the transactions that have come under our notice have been within its statutory powers.

COOPERS & LYBRAND

Ottawa, Ontario
February 5, 1982

STATEMENT OF CONSOLIDATED FINANCIAL POSITION AS AT DECEMBER 31

(in thousands of dollars)

	1981	1980	1979
Current assets			
Cash and short-term investments at cost	3,717		5,249
Accounts receivable	14,658	13,591	19,613
Mine concentrates on loan	5,038	9,052	8,596
Inventories	28,471	8,815	16,555
Supplies	10,390	15,295	12,603
Prepaid expenses	478	462	4,607
	62,752	47,215	67,223
Current liabilities			
Bank loans and advances		23,322	
Accounts payable	29,684	23,850	20,628
Long-term debt due within one year	12,400	8,353	12,153
Provision for mine shutdown	51,491		
Provision for loss on uncompleted contracts			16,066
Other liabilities	2,478		
	96,053	55,525	48,847
Working capital (deficiency)	(33,301)	(8,310)	18,376
Non-current assets			
Inventories	255,545		
Investment in joint venture	131,207	120,977	107,351
Mine concentrates on loan		10,950	10,678
Property and equipment, net	160,932	168,794	132,502
Deferred charges	5,150	6,552	6,458
Accounts receivable	1,267	2,533	
Other assets	1,524	2,098	1,753
	555,625	311,904	258,742
Capital employed	522,324	303,594	277,118
Represented by:			
Long-term debt	265,923	204,990	183,093
Other liabilities	3,938	6,286	5,077
Deferred taxes		10,708	8,844
	269,861	221,984	197,014
Shareholder's equity			
Share capital	306,586	6,586	6,586
Retained earnings (deficit)	(54,123)	75,024	73,518
	252,463	81,610	80,104
	522,324	303,594	277,118

The accompanying notes to Consolidated Financial Statements are an integral part of this statement.

Approved by the Board of Directors:

MARCEL BÉLANGER

N. M. EDIGER

ELDORADO NUCLEAR LIMITED—*Continued*

STATEMENT OF CONSOLIDATED EARNINGS AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1981	1980	1979
Revenue			
Sales of products and services	71,888	91,116	111,498
Expenses			
Cost of products and services sold	77,632	68,019	89,545
Exploration	4,927	5,286	6,579
Research and development	2,683	2,904	2,858
Administration	5,608	5,149	4,992
Financing expense	15,621	6,856	6,111
Other income	(32,692)	(2,538)	(4,680)
Total expenses	73,779	85,676	105,405
Earnings (loss) before taxes and extraordinary item	(1,891)	5,440	6,093
Income taxes and mineral royalties	(362)	3,934	5,695
Earnings (loss) before extraordinary item	(1,529)	1,506	398
Loss on shutdown of Beaverlodge operations (net of deferred taxes of $9,343)	127,618		
Net earnings (loss)	(129,147)	1,506	398
Retained earnings at beginning of year	75,024	73,518	73,120
Retained earnings (deficit) at end of year	(54,123)	75,024	73,518

The accompanying notes to Consolidated Financial Statements are an integral part of this statement.

STATEMENT OF CHANGES IN CONSOLIDATED FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1981	1980	1979
Source of working capital			
From operations:			
Earnings (loss) before extraordinary item	(1,529)	1,506	398
Items not affecting working capital:			
Depreciation and amortization	18,100	15,493	9,978
Deferred taxes	(1,365)	1,864	1,495
	15,206	18,863	11,871
Increase in long-term debt	168,062	55,776	64,880
Mine concentrates repaid and due within one year	10,044	8,819	32,413
Decrease (increase) in accounts receivable	1,266	(2,533)	4,428
Issue of share capital	300,000		
	494,578	80,925	113,592
Use of working capital			
Decrease (increase) in other liabilities	2,348	(1,209)	3,820
Increase (decrease) in carrying value of mine concentrates on loan	(906)	9,091	17,394
Additions to property and equipment	74,732	49,483	56,063
Investment in joint venture	10,230	13,626	11,035
Repayment of long-term debt	94,729	25,527	
Long-term debt due within one year	12,400	8,353	12,153
Extraordinary item: loss on shutown of Beaverlodge operations	62,188		
Acquisition of non-current inventories	255,545		
Additions to deferred charges	8,303	2,740	3,132
	519,569	107,611	103,597
Increase (decrease) in working capital	(24,991)	(26,686)	9,995
Working capital (deficiency) at beginning of year	(8,310)	18,376	8,381
Working capital (deficiency) at end of year	(33,301)	(8,310)	18,376

The accompanying notes to Consolidated Financial Statements are an integral part of this statement.

STATEMENT OF ACCOUNTING POLICIES

The accompanying consolidated financial statements were prepared by management in conformity with generally accepted accounting principles considered to be appropriate in the circumstances, and have been applied on a basis consistent with that of the preceding year. A summary of significant accounting policies of the Company is presented to assist the reader in interpreting the statements contained herein.

Consolidation

The consolidated financial statements include the accounts of Eldorado Nuclear Limited and its wholly-owned subsidiaries, Eldorado Aviation Limited and Eldor Resources Limited.

Inventories

Inventories of mine concentrates and refined and converted products are valued at the lower of weighted average cost or net realizable value. Cost for customer-owned products is the cost of the refining and conversion processes only.

Inventories of mine concentrates are initially measured and accounted for in the financial statements when the material is sealed in containers upon completion of the milling process.

Supplies

Operating and general supplies are carried at cost.

Property and Equipment

Assets are carried at cost. Costs of additions, betterments, and renewals are capitalized. When assets are retired or sold, the resulting gains or losses are reflected in current earnings.

Maintenance and repair expenditures are charged to cost of production.

Investment in Joint Venture

The investment in joint venture, which consists of exploration, development and financing costs of the one-sixth interest in the Key Lake orebodies, is carried at cost until such time as production commences.

Depreciation

The principal depreciation method used is the composite straight line method based on the estimated useful lives of the property and equipment, which in the majority of cases is 10 years. For the purposes of calculating the depreciation charge, the average economic life of the property and equipment of each plant or operation is calculated, and a composite depreciation rate based on this average economic life is applied for each plant or operation.

Capitalization of Interest

Interest costs on funds borrowed to finance the development and construction of major assets are capitalized during the development and construction period.

Mine Development and Preproduction Costs

Certain mine development and refinery costs associated with capacity additions are deferred until commencement of production. These costs are then amortized based on production over not more than 10 years. Other costs are charged to production as incurred.

Research and Development and Exploration Costs

Expenditures for applied research and development relative to the products and processes of the Company and expenditures for geological exploration programs are charged against earnings as incurred.

ELDORADO NUCLEAR LIMITED—*Continued*

STATEMENT OF ACCOUNTING POLICIES—*Concluded*

Pension Plan

The Company has a contributory, defined benefit, trustee pension plan covering all its regular full-time employees. Assets in the pension fund are essentially valued at book values, while liabilities are costed by the entry age normal cost method.

Pension costs are funded and recorded at rates confirmed by the consulting actuary pursuant to periodic actuarial revaluations. All actuarially-determined unfunded liabilities are amortized and funded over periods that adequately reflect their specific nature, up to a maximum of 15 years.

Sales of Products and Services

In accordance with normal industry practices, the Company contracts for future delivery of mine concentrates and refinery conversion services. Sales revenue is recorded in the fiscal year that title passes or, with customer-owned material, when delivery is effected.

Foreign Exchange

Accounts receivable and accounts payable denominated in foreign currencies are translated into Canadian dollars at rates of exchange in effect at year-end; income and expenses at rates in effect during the year; long-term debt at rates in effect when the debt was incurred. Gains or losses resulting from such translation practices are reflected in the statement of consolidated earnings and retained earnings.

Shutdown of Beaverlodge Operation

The decision to cease operations at the Beaverlodge mine on June 30, 1982 has been reflected in the accompanying financial statements on the following basis:

All the Beaverlodge assets, net of estimated salvage value, have been written off.

A provision has been made for the cost that will be incurred in shutting down the mine. This includes all foreseeable costs of closing and decommissioning the mine, including early retirement, severance and relocation programs for employees, as well as environmental and salvage costs.

Also included in the provision for shutdown is the excess of the cost of continuing to operate the mine over the net realizable value of inventories produced during the shutdown period commencing November 24, 1981.

The write-off of the Beaverlodge assets and the provision for shutdown costs have been reflected in the 1981 income statement as an extraordinary item. No provision has been made for the on-going costs of environmental monitoring of the Beaverlodge site after shutdown. These are considered to be normal operating expenses for a mining company and they will be charged against revenues in the year in which they are incurred.

Income Tax

The Company follows the tax allocation method of providing for income taxes. Taxable income may be different from reported earnings before taxes because certain items of income and expense are recorded in time periods different for tax purposes from those for accounting purposes. The difference between the taxes calculated as payable each year and those charged against earnings on the tax allocation method is accumulated and carried forward in the statement of consolidated financial position under the caption Deferred Taxes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1981

1. Eldorado Nuclear Limited

Eldorado Nuclear Limited is incorporated under the Canada Business Corporations Act, is subject to the Financial Administration Act and the Government Companies Operations Act, and is an agent of Her Majesty in Right of Canada. The shares outstanding in 1944 were acquired by the federal government in that year to secure a source of uranium for Canada. In 1981 these shares were cancelled and new shares were issued to the shareholder pursuant to the acquisition by the Company of the Government uranium stockpile.

The Company, wholly-owned by Her Majesty in Right of Canada, is involved in various aspects of the nuclear fuel cycle, primarily the exploration, mining, refining and conversion of uranium.

Eldorado's Beaverlodge mine and mill in northwestern Saskatchewan produce uranium mine concentrates. This facility will close during 1982, but the Company owns concentrate inventories more than sufficient to fulfill sales commitments to 1990. Most sales to electric utilities are made under long-term, annual delivery contracts, and title transfer is generally made at the Company's Port Hope facilities prior to further processing. All export contracts must first be approved by federal regulatory agencies.

The plant at Port Hope refines uranium concentrates and converts the pure uranium to produce ceramic-grade uranium dioxide powder and uranium hexafluoride as steps in the nuclear fuel cycle. Utility customers in Canada and other nations send material to Port Hope for such processing and the converted product is shipped on behalf of customers to fabricators in Canada or to enrichment plants in the United States, Europe and Russia. At year-end 1981, the refinery held 14 million pounds of customer-owned uranium at various stages of processing (1980—25 million pounds). All exports of material on behalf of customers require a licence from federal regulatory agencies.

The Port Hope operation also includes metallurgical facilities to produce depleted uranium metal alloys, experimental fuels, and various other related products, as well as storage facilities for U_3O_8 and for processed UF_6.

A wholly-owned subsidiary, Eldor Resources Limited, owns a one-sixth interest in the Saskatchewan Uranium Joint Venture, which is developing new uranium properties at Key Lake in northern Saskatchewan. Another wholly-owned subsidiary, Eldorado Aviation Limited, provides transportation services to the Beaverlodge mine site, and will continued to do so during the period of shutting down and decommissioning the mine site. In addition, Eldorado Aviation has applied for a licence change that would permit it to expand its transportation services.

Each year, after the normal preparation, review and approval of budgets by the Board of Directors of Eldorado for the next calendar year, the Company submits the capital budget for approval by the Governor-in-Council upon recommendation of the Minister of Energy, Mines and Resources, the Minister of Finance, and the President of the Treasury Board. This budget is subsequently tabled in Parliament.

ELDORADO NUCLEAR LIMITED—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1981—*Continued*

2. Accounting policies

A statement of significant accounting policies of the Company is provided in this statement.

3. Other income and expense

	1981	1980	1979
	(in thousands of dollars)		
Income			
Interest on investments	714	465	3,840
Gain on settlement of Eldor-UCAN concentrate loan	31,581	5,763	
Other non-operating items	723	999	987
Expenses			
New refinery site selection costs		(4,141)	
Miscellaneous	(326)	(548)	(147)
	32,692	2,538	4,680

4. Income taxes and mineral royalties

The provisions for income taxes and mineral royalties were as follows:

	1981	1980	1979
	(in thousands of dollars)		
Income taxes—Deferred	(1,365)	1,864	1,495
Mineral royalties	1,003	2,070	4,200
	(362)	3,934	5,695

The reconciliation between the federal statutory income tax rate and the Company's effective rate of income tax and mineral royalties is as follows:

	Percentage of Pre-tax Earnings		
	1981	1980	1979
Federal statutory income tax (recovery) rate	(48.3)	48.3	46.0
Resource and depletion allowances	(110.5)	(33.2)	(24.4)
Adjusted income tax (recovery) rate	(158.8)	15.1	21.6
Inventory allowance	(22.1)	(9.5)	(10.0)
Research allowance		(3.7)	(6.9)
Non-deductibility of income debenture interest	104.5	27.4	20.5
Other	4.3	4.9	(0.6)
Effective income tax (recovery) rate	(72.1)	34.2	24.6
Mineral royalties	53.0	38.1	68.9
Net effective tax (recovery) rate	(19.1)	72.3	93.5

Provincial mineral royalties, which are not deductible for federal income tax purposes, are calculated in part as a percentage of revenues and consequently the effective rate can fluctuate drastically from year to year.

As the result of an audit of taxation years prior to 1977, the Company received reassessment notices in 1978 increasing income for tax purposes and decreasing tax loss carry forwards by approximately $4.0 million. The Company filed a Notice of Objection with respect to these reassessments. However, to date, no formal decision has been reached.

At December 31, 1981 the Company had unrecorded income tax debits of approximately $58 million to be applied against future taxable earnings. These debits arise from depreciation costs exceeding capital cost allowance claims and from expenditures on assets qualifying for an earned depletion tax deduction.

5. Extraordinary item—Shutdown of Beaverlodge Operation

On November 24, 1981 the Board of Directors by resolution authorized management to close the Beaverloge mine and mill effective June 30, 1982. Low market prices, increasing production costs and declining ore grade have combined to make this operation no longer economically viable.

Accordingly, an extraordinary loss has been recorded in the 1981 financial statements to reflect the shutdown decision. The loss provides for the write-off of Beaverlodge assets (net of estimated salvage value), the costs of decommissioning the mine and terminating employees, and the phasing out of the mine operations (net of realizable value of concentrates produced).

6. Mine concentrates on loan

Mine concentrates on loan are recorded at current inventory cost, which is lower than net realizable value. These costs are classified as either current or non-current assets, according to scheduled or estimated repayments. The mine concentrates on loan are secured by a fixed and floating charge over the borrower's assets.

Income from the mine concentrates on loan is included in revenues in the amount of $2.0 million (1980—$2.5 million; 1979—$6.5 million).

7. Property and equipment

	1981	1980	1979
	(in thousands of dollars)		
Land	3,725	3,642	2,353
Buildings	15,875	69,731	55,866
Equipment	72,239	143,896	144,205
Construction in progress	96,582	33,711	16,012
Aircraft under capital lease	16,729	15,927	
	205,150	266,907	218,436
Less accumulated depreciation	44,218	98,113	85,934
	160,932	168,794	132,502
Depreciation for year	15,269	13,191	8,574

8. Deferred charges

	1981	1980	1979
	(in thousands of dollars)		
Mine development		4,500	5,523
Refinery preproduction	1,773	2,052	935
Unamortized financing costs	3,377		
	5,150	6,552	6,458
Amortization for year	2,831	2,302	1,404

ELDORADO NUCLEAR LIMITED—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1981—*Continued*

9. Long-term debt

	1981	1980	1979
	(in thousands of dollars)		
i) From Canada			
8⅜% notes due 1978-80			605
$5\frac{7}{16}$% note due 1980			11,548
$4\frac{15}{16}$% notes due 1981		7,762	7,762
6½% notes due 1982	10,062	10,062	10,062
5⅞% notes due 1983	5,082	5,082	5,082
6⅝% notes due 1984	10,093	10,093	10,093
ii) Other			
Income debentures due 1983, at floating rate approximately one-half of prime lending rate	40,000	40,000	40,000
Promissory notes due 1985, at floating rate ⅛% below prime lending rate	30,000	30,000	
Capitalized lease expiring 1992, at floating monthly payments 2%-4% below prime lending rate	15,333	15,615	
Notes due 1986, at 13¼% ($U.S -50 million)	59,428		
Loan due 1991, at 7% (100 million Swiss francs)	56,763		
Notes due 1988, at interest rate to yield 9.19% (10,108 billion Japanese yen)	51,562		
iii) Mine concentrates borrowed		94,729	110,094
Sub-total	278,323	213,343	195,246
Less: Current portion of long-term debt listed above	12,400	8,353	12,153
Total	265,923	204,990	183,093

If translated into Canadian dollars at year-end rates of exchange, long-term debt would increase by $12,545,000 in 1981 (1980 and 1979—nil). This is not necessarily indicative of the amounts which will be repaid when the obligations are retired.

(a) Loans from Canada and other

The long-term debt payments due in each of the next five years are as follows: 1982—$12,400,000, 1983—$47,146,000, 1984—$11,844,000, 1985—$31,546,000, 1986—$64,133,000.

(b) Mine concentrates borrowed

	1981	1980	1979
	(in thousands of dollars)		
Due by Eldor Resources Limited		94,729	110,094

In conjunction with the purchase of its interest in the Key Lake joint venture, Eldor Resources Limited arranged with Uranium Canada, Limited (UCAN) for a loan of two million pounds of uranium mine concentrate (U_3O_8) from the Government of Canada stockpile. This material, of which 730,600 pounds were drawn in 1978 and 1,269,400 pounds in 1979, was sold at world market prices (deemed loan value) to fund the Key Lake acquisition. During 1981 the Government of Canada stockpile and the remaining loan liability of 1.5 million pounds U_3O_8 were transferred from UCAN to Eldorado in exchange for the issuance of common and preferred shares. As a result, the liability, valued at $76.6 million, and the related accrued interest, valued at $20.3 million, were eliminated.

Prior to this stockpile transfer, all interest, as computed on the deemed loan value of borrowed concentrates, was being accrued and recorded as an increase to the investment in joint venture. In 1980, 500,000 pounds of the loan was repaid to UCAN, resulting in a gain which represented the excess of the original average unit loan value over U_3O_8 inventory cost. In 1981, upon transfer of the stockpile, a further gain resulted with respect to the remainder of the loan. These gains are reflected in the respective years as "Other Income" in the statement of consolidated earnings and retained earnings.

10. Sales contracts

At December 31, 1981 the Company had commitments for the delivery of 9,423,000 pounds of uranium mine concentrates from 1982 to 1990.

11. Share capital

	1981	1980	1979
	(in thousands of dollars)		
Authorized:			
An unlimited number of common shares of no par value			
1,600,000 preferred shares (1980 and 1979—nil)			
Issued and fully paid:			
Common—1,452,880 shares to Canada (1980 and 1979—70,500 shares)	106,586	6,586	6,586
Preferred—1,600,000 shares to Canada (1980 and 1979—nil)	200,000		
	306,586	6,586	6,586

During 1981 the Company cancelled 70,500 common shares and issued 1,452,880 new common shares and 1,600,000 redeemable preferred shares.

The preferred shares have an assigned value of $125 per share. No dividends are payable until March 31, 1986. At that date cumulative dividends, if declared, are payable at $25 per share. At March 31, 1987 cumulative dividends, if declared, are payable at $50 per share. Thereafter, the preferred shares bear a cumulative dividend rate of $12.50.

12. Commitments and contingencies

(a) The Company has entered into long-term leases on certain properties up to 1986 with annual rental payments averaging $499,000.

(b) The Company has a contributory, defined benefit pension plan covering all of its regular full-time employees.

The pension fund is periodically (at least every three years) revaluated by the consulting actuary. Assets in the pension fund, which is administered by independent trustees, are essentially valued at book values, although in the case of equities, the book value is adjusted by 20 percent of any unrealized gain or loss, provided any gain does not result in the particular equity being in excess of 90% of its market value. In the case of bonds, any premium or discount from par is amortized over the lifetime of the bond.

Liabilities and funding requirements are determined by the consulting actuary on the Entry Age Normal Cost method. Under this method, the normal cost to the Company is calculated as a level annual percentage of payroll which, when taken together with the members' required contributions and the assumed earnings rate thereon, would be sufficient to fund the expected benefits for each member. The assumed annual rate of return used in determining the actuarial present values of accumulated plan benefits is 5 per cent.

ELDORADO NUCLEAR LIMITED—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1981—*Concluded*

The last actuarial valuation of the plan, as of December 31, 1980, revealed that the plan had a surplus of $2,972,000 as of that date. The previous actuarial valuation as of December 31, 1979 had revealed an unfunded liability of $248,000.

(c) Through its wholly-owned subsidiary Eldor Resources Limited, the Company is a one-sixth partner in a joint venture that discovered and has commenced developing the ore bodies near Key Lake, Saskatchewan. In accordance with the joint venture agreement, Eldor is obligated to meet its proportionate share of the commitments of the joint venture. At December 31, 1981, Eldor's share of the estimated cost to commence production is approximately $68 million.

(d) The Company is expanding its refining and conversion capacity to meet projected increases in world demand for uranium. All uranium refining operations will be consolidated at a new Blind River UO_3 plant, and all UO_2 and UF_6 conversion activities will take place at expanded facilities at Port Hope. This will enable the Company to phase out its 25-year-old UO_3 plant at Port Hope. The capital cost of the program to be incurred from 1981 is projected at approximately $184 million. The plants are expected to be ready for operation by late 1983. The Company has obtained site approval for both facilities and construction approval for the Blind River UO_3 plant from the Atomic Energy Control Board and is awaiting construction approval for the Port Hope UF_6 plant.

The Company has entered into contracts in connection with its expansion program and as at December 31, 1981, has made commitments of approximately $34 million.

(e) In connection with its operation, the Company is the defendant in certain litigation. It is the opinion of management, based on legal counsel, that this will not result in any material liabilities to the Company.

13. Supplementary information

(a) Subsequent to December 31, 1981 the Company has entered into a line-of-credit financing agreement with a group of Japanese lenders. This agreement provides for the borrowing of up to 5 billion Japanese yen at an interest rate of .2% above the Japanese long-term prime lending rate (currently 8.6%). The funds must be drawn down no later than July 15, 1982 and repaid in ten equal semi-annual instalments commencing July 15, 1987.

(b) During 1981 the Company paid sales commissions to Marubeni Corporation, who have been retained as exclusive Japanese sales agents since 1960.

(c) Interest costs of $8.5 million paid in 1981 have been capitalized under property and equipment and investment in joint venture (1980—$2.8 million; 1979—nil). Deferred interest of $2.1 million recorded in 1981 has been capitalized under investment in joint venture (1980—$10.2 million; 1979—$7.9 million).

(d) Certain account descriptions have been reclassified from prior years for comparative purposes.

14. Segmented information

(a) Industry segment

The Company is of the opinion that virtually all its sales revenues are in the industry segment identified as the nuclear fuel industry.

(b) Sales

Sales revenues of the Company are derived primarily from sales to foreign and domestic electric utilities as follows:

	1981	1980	1979
	(in thousands of dollars)		
Export sales	55,135	77,738	48,893
Domestic sales	16,753	13,378	62,605
Total sales	71,888	91,116	111,498

EXPORT DEVELOPMENT CORPORATION

(Established by the Export Development Act)

AUDITOR'S REPORT

THE HONOURABLE MARK MACGUIGAN, P.C., M.P.
SECRETARY OF STATE FOR EXTERNAL AFFAIRS

I have examined the balance sheet of Export Development Corporation as at December 31, 1981 and the statements of income and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements give a true and fair view of the financial position of the Corporation as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

KENNETH M. DYE
Auditor General of Canada

Ottawa, Ontario
February 23, 1982

BALANCE SHEET AS AT DECEMBER 31, 1981
(in thousands of dollars)

ASSETS	1981	1980
Loans receivable (Note 3)		
Principal	3,865,517	3,426,557
Less: participation by other lenders	203,774	254,253
	3,661,743	3,172,304
Accrued interest and fees	102,941	79,322
	3,764,684	3,251,626
Less: allowance for losses on loans	46,700	33,000
	3,717,984	3,218,626
Investments		
Cash and short term investments	495,298	467,495
Canada bonds at amortized cost (Market value: 1981—22,493; 1980—23,075)	25,576	25,471
Accrued interest	9,918	13,890
	530,792	506,856
Other assets		
Unamortized debt discount and issue expenses	16,161	15,711
Other	4,813	6,536
	20,974	22,247
	4,269,750	3,747,729

LIABILITIES	1981	1980
Loans payable		
Short term	708,005	462,732
Long term (Note 4)	2,793,783	2,611,477
Accrued interest	138,338	114,077
	3,640,126	3,188,286
Other liabilities and deferred credits		
Accounts payable	10,991	7,293
Deferred revenue	58,694	43,745
Other	8,925	8,773
	78,610	59,811
Allowance for claims on insurance and guarantees in force	15,994	6,823
SHAREHOLDER'S EQUITY		
Capital (Note 5)	350,000	310,000
Retained earnings	185,020	182,809
	535,020	492,809
	4,269,750	3,747,729

Commitments and contingent liabilities (Note 7)

Approved by the Board of Directors:

SYLVAIN CLOUTIER
Chairman of the Board and President

B. A. CULHAM
Senior Vice President, Finance

EXPORT DEVELOPMENT CORPORATION—*Continued*

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1981

(in thousands of dollars)

	1981	1980
Loans and guarantees		
Interest earned	319,761	250,419
Fees earned	11,899	8,396
Investment interest earned	86,904	77,775
	418,564	336,590
Interest expense		
Long term	289,200	233,299
Other	94,334	57,897
Provision for loan losses	14,602	5,945
	398,136	297,141
	20,428	39,449
Insurance and guarantees		
Premiums and fees earned	14,224	11,486
Investment interest earned	2,612	1,825
	16,836	13,311
Provision for claims	13,643	4,121
	3,193	9,190
Operations income	23,621	48,639
Administrative expenses	21,410	15,996
Net income	2,211	32,643
Retained earnings		
Beginning of year, as previously reported	180,836	150,166
Adjustment of prior year (Note 6)	1,973	
Beginning of year, as restated	182,809	150,166
End of year	185,020	182,809

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1981

(in thousands of dollars)

	1981	1980
Funds provided		
Net income	2,211	32,643
Items not affecting funds		
Provisions for claims and loan losses	27,349	10,067
Decrease in deferred revenue	(17,519)	(12,103)
Other	9,632	6,435
	21,673	37,042
Claims recovered	2,722	1,555
Increase in deferred revenue	32,468	19,430
	56,863	58,027
Loans receivable repaid	272,888	266,002
Participation by other lenders	12,347	96,437
Canada bonds sold and matured		1,553
Long term loans payable	428,127	655,200
Capital stock issued	40,000	
	753,362	1,019,192
Total funds provided	810,225	1,077,219
Funds employed		
Disbursements on loans receivable	711,848	869,783
Participation by other lenders repaid	62,826	78,443
Canada bonds purchased		1,932
Canada loans repaid	104,510	158,009
Long term loans payable repaid	141,311	
Claims paid	7,200	10,382
Total funds employed	1,027,695	1,118,549
Decrease in funds	217,470	41,330
Decrease (increase) in cash and short term investments	(27,803)	7,952
Increase in short term loans payable	245,273	33,378
	217,470	41,330

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1981

1. The Corporation

Export Development Corporation is a Crown corporation wholly-owned by Canada, which was established October 1, 1969 by the Export Development Act, a statute of the Parliament of Canada, as the successor to the Export Credits Insurance Corporation which commenced operations in 1944.

The Corporation has broad powers including the power to borrow, to lend and to guarantee loans, to enter into export and foreign investment insurance contracts and to issue guarantees in respect of export transactions.

The Corporation is not subject to the requirements of the Income Tax Act with respect to its earnings.

Contracts are entered into either under the authority of the Board of Directors or under the authority of the Governor in Council. Contracts entered into under the authority of the Governor in Council (Accounts administered for Canada) are reflected in separate financial statements. Funds required for such transactions are paid to the Corporation by Canada and the Corporation does not have any liability for transactions administered for Canada. All contracts of foreign investment insurance are issued for Canada.

2. Summary of Significant Accounting Policies

These financial statements were prepared in accordance with accounting principles generally accepted in Canada consistently applied, and conform in all material respects with International Accounting Standards. A summary of significant accounting policies follows.

Export Loan Interest Earned

Interest is accrued on principal receivable until such time as the Corporation accelerates all payments falling due under a loan agreement or when in the opinion of management there is significant doubt as to its collectibility or the loan becomes non-current. Non-current is defined as any rescheduled loan where a significant payment has not been received for one year.

Finance and service charges, which are paid by exporters, are taken into interest earned over the disbursement and repayment periods of a loan.

Export Loan Fees Earned

Administration fees are taken into income as earned over the disbursement and repayment periods of a loan, and standby fees are taken into income over the disbursement period.

Investment Interest Earned

Investment interest earned is prorated between Loans and Guarantees and Insurance and Guarantees on the basis of average funds invested.

Interest Expense

Interest expense includes amortization of debt discount and issue expenses, which is charged over the life of the debt on a straight-line basis.

Allowance for Losses on Loans Receivable

Provisions for loan losses are based on a review of collectibility of all outstanding loans to sovereign and commercial borrowers. In respect of this review, the Corporation recognizes that the future economic and political conditions in some of the countries where the Corporation has made loans are subject to varying degrees of pressures, some of which are unpredictable. Accordingly, delays in the repayment of principal and interest may well occur from time to time.

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1981—*Continued*

In the case of loans made to sovereign borrowers, that is the governments of countries or their agencies, payment delays are not necessarily indicative of a future loss requiring a provision. Sovereign entities and their international financial obligations do not have commercial mortality, and the international system does not allow the unilateral denial of a sovereign obligation. Furthermore, the international system provides several mechanisms and institutions through which countries facing repayment difficulties can effect remedial measures in agreement with their creditors. Therefore, except in the rare instance of outright repudiation or a write-off of asset value agreed to by creditors, in the opinion of management the ultimate collectibility of a sovereign obligation, and thus its asset value, is not subject to question although delays may have to be accepted.

It is the policy of the Corporation to set aside from net income, in addition to any specific provisions made as a result of the review of the outstanding loans, an amount sufficient to maintain an accumulated non-specific allowance proportionate to the total loan principal and interest receivable for which no specific provision has been made.

Insurance Premiums

For short term global export insurance policies, premiums are taken into income at the commencement of coverage. Premiums on other export insurance policies are taken into income using methods which generally reflect the exposures over the terms of the policies.

Allowance for Claims on Insurance and Guarantees in Force

The Corporation provides for claims based on claims experience, augmented if necessary by a specific provision based on a review of contingent liability. Claims payments are charged and recoveries credited to the allowance.

Translation of Foreign Currency

Assets and liabilities are translated into Canadian dollars at exchange rates prevailing at year end. Income and expenses are translated at average monthly exchange rates in effect during the year.

3. Loans Receivable

Loans receivable from both sovereign and commercial borrowers, net of participation by other lenders, are at interest rates established in competition with similar agencies in other countries and are generally below commercial rates. These loans mature as follows:

	December 31	
	1981	1980
	(in thousands of dollars)	
Overdue	15,080	12,169
1981		250,711
1982	331,155	339,485
1983	421,019	402,781
1984	451,177	411,590
1985	437,181	397,280
1986	395,474	357,084
1987 and thereafter	1,610,657	1,001,204
Total	3,661,743	3,172,304
Commercial loans included above	1,004,162	820,225
Overdue interest	15,253	5,536

In order to facilitate the collectibility of some loans or portion of loans, the Corporation has concluded agreements to reschedule principal and interest payments in the following amounts:

	December 31	
	1981	1980
	(in thousands of dollars)	
During the year—Interest	15,736	25,233
—Principal	15,725	43,991
	31,461	69,224
Balance of rescheduled loans outstanding	160,963	133,236
Amounts overdue	1,802	289

4. Long Term Loans Payable

Long term loans payable were as follows:

	December 31	
	1981	1980
	(in thousands of dollars)	
Canada loans	529,462	640,253
Interest rates from 5.31% to 9.50% (1980 — 5.31% to 9.50%)		
Commercial loans	2,264,321	1,971,224
Interest rates from 6.00% to 16.875% (1980 — 7.00% to 14.00%)		
	2,793,783	2,611,477

These loans mature as follows:

	December 31	
	1981	1980
	(in thousands of dollars)	
1981		260,825
1982	306,338	306,955
1983	390,237	391,270
1984	754,164	757,047
1985	457,075	433,576
1986	381,387	253,831
1987 and thereafter	504,582	207,973
Total	2,793,783	2,611,477

5. Capital

Authorized capital consists of 10,000,000 shares with a par value of $100 each. At December 31, 1981, 3,250,000 shares were issued and fully paid (December 31, 1980 — 2,850,000 shares). During the year, 400,000 shares were issued for cash. Capital also includes $25,000,000 of contributed capital, the maximum amount provided in the Export Development Act.

EXPORT DEVELOPMENT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1981—*Concluded*

6. Adjustment of Prior Year

During 1981, the Corporation conducted a review of the method of accounting for forward foreign exchange contracts. This review indicated that incorrect treatment given to these transactions had resulted in an understatement of revenue of $1,973,000 in 1980.

7. Commitments and Contingent Liabilities

Undisbursed commitments on signed loan agreements and other guarantee commitments of the Corporation as at December 31, 1981 were $4,167,429,000 (December 31, 1980—$3,594,203,000).

It is anticipated that undisbursed commitments under signed loan agreements will be disbursed as delivery of goods and services or progress on projects is achieved, the average period of disbursement being typically three years. The Corporation expects to fund these commitments near the time of disbursement by issuing a combination of debt instruments in world capital markets at commercial rates of interest and capital stock while generally attempting to match debt maturities and currencies with those of its export loans.

Insurance in force and other contingent liabilities of the Corporation as at December 31, 1981 were $2,189,117,000 (December 31, 1980—$1,701,314,000).

8. Statutory Limits

The Export Development Act allows the Corporation to have outstanding loans and commitments to foreign borrowers up to a maximum of $10,000,000,000. The position against this limit as at December 31, 1981 was $7,584,104,000 (December 31, 1980—$6,533,640,000).

The Act also specifies that the Corporation can incur liabilities under contracts of insurance, related guarantees and guarantees pertaining to the lending program up to a maximum of $10,000,000,000. The position against this limit as at December 31, 1981 was $2,352,497,000 (December 31, 1980—$1,866,516,000).

9. Short Term Investments and Loans Payable

With respect to short term investments and loans payable, activity was as follows:

		Year Ended December 31	
		1981	1980
		(in thousands of dollars)	
Short term investments	Average	515,800	502,000
	High	703,800	790,000
	Low	368,800	307,500
Short term loans payable	Average	546,300	424,700
	High	722,700	542,500
	Low	380,200	303,000

The Corporation also had lines of credit and overdraft facilities aggregating $492,500,000 at December 31, 1981 (December 31, 1980 — $390,000,000).

10. Related Party Transactions

Related party transactions not otherwise disclosed in these financial statements were as follows:

	Year Ended December 31	
	1981	1980
	(in thousands of dollars)	
Transactions with Canada		
Interest expense	45,097	54,800
Less:		
Administrative expenses recovered	2,956	3,239
Interest earned	5,064	6,059
	37,077	45,502
Amounts due to (due from) Canada		
Canada treasury bills		(24,012)
Canada bonds bearing interest at rates from 8.00% to 9.75%, maturing 1983 through 1994	(25,576)	(25,471)
Accrued interest receivable	(475)	(954)
Accounts administered for Canada	1,613	5,441
Long term loans, bearing interest at rates from 5.31% to 9.50%, due 1982 through 1988	529,462	640,253
Accrued interest payable	14,985	17,612
Unused parliamentary appropriation	5,000	
Other liabilities	8,925	8,773
	533,934	621,642

11. Segmented Information

Loans and insurance are the Corporation's significant industrial segments.

Loans and Guarantees and Insurance and Guarantees on the Statement of Income reflect operations income of the two segments before deduction of administrative expenses.

At December 31, 1981 the total principal receivable of loans to foreign borrowers, excluding participation by other lenders, was $3,661,743,000 (December 31, 1980 — $3,172,304,000).

The assets of the Corporation are predominantly identifiable with the loans and guarantees program.

Revenue from loan interest and fees earned outside Canada for the year ended December 31, 1981 was $324,047,000 (December 31, 1980 — $252,199,000).

Revenue from insurance premiums and fees is earned in Canada.

EXPORT DEVELOPMENT CORPORATION—*Continued*

ACCOUNTS ADMINISTERED FOR CANADA

AUDITOR'S REPORT

THE HONOURABLE MARK MACGUIGAN, P.C., M.P.
SECRETARY OF STATE FOR EXTERNAL AFFAIRS

I have examined the balance sheet of Accounts Administered for Canada by Export Development Corporation as at December 31, 1981 and the statement of changes in amounts funded by Canada for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements give a true and fair view of the financial position of the Accounts Administered for Canada as at December 31, 1981 and the changes in the amount funded by Canada for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept for the Accounts administered for Canada by Export Development Corporation, the financial statements are in agreement therewith and the transactions that have come under my notice have been within the statutory powers set out in the Export Development Act.

KENNETH M. DYE
Auditor General of Canada

Ottawa, Ontario
February 23, 1982

BALANCE SHEET AS AT DECEMBER 31, 1981
(in thousands of dollars)

ASSETS	1981	1980	LIABILITIES	1981	1980
Loans receivable (Note 3)					
Principal	698,972	636,873	Deferred revenue	5,748	1,641
Less: participation by other lenders	33,436	18,318	Funded by Canada	681,354	632,096
	665,536	618,555			
Accrued interest and fees	19,953	9,741			
	685,489	628,296			
Due from the Corporation	1,613	5,441			
	687,102	633,737		687,102	633,737

Commitments and contingent liabilities (Note 4)

Approved by the Board of Directors:

SYLVAIN CLOUTIER
Chairman of the Board and President

B. A. CULHAM
Senior Vice President, Finance

EXPORT DEVELOPMENT CORPORATION—*Concluded*

ACCOUNTS ADMINISTERED FOR CANADA

CHANGES IN AMOUNTS FUNDED BY CANADA FOR THE YEAR ENDED DECEMBER 31, 1981

(in thousands of dollars)

	1981	1980
Beginning of year	632,096	485,774
Add:		
Loans receivable disbursed	79,425	160,973
Participation repaid to other lenders	2,955	6,979
Export loans interest and fees earned	55,775	49,525
Export insurance and guarantee premiums and fees earned	521	841
Foreign investment insurance premiums and fees earned	538	1,023
Claims recovered on guarantees	4,314	4,192
	775,624	709,307
Deduct:		
Loans receivable repaid to Canada	17,326	19,018
Participation by other lenders	18,073	7,700
Administrative expenses	2,956	3,239
Claims paid on guarantees	4,557	4,336
Other advances or remittances (net)	51,358	42,918
	94,270	77,211
End of year	681,354	632,096

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1981

1. Accounts administered for Canada

The Corporation administers for Canada certain loan and insurance programs entered into under the authority of the Governor in Council. The funds required for these operations are provided by Canada, and the Corporation has no direct financial interest in these programs. As cash is received by the Corporation, it is remitted to the Consolidated Revenue Fund of Canada, net of amounts withheld to cover administrative expenses which are charged on a cost recovery basis.

2. Summary of Significant Accounting Policies

Export Loan Interest Earned

Interest is accrued on principal receivable until such time as the Corporation accelerates all payments falling due under a loan agreement or when in the opinion of management there is significant doubt as to its collectibility or the loan becomes non-current. Such action is taken by the Corporation under the authority of the Governor in Council. Non-current is defined as any rescheduled loan where a significant payment has not been received for one year.

Finance and service charges, which are paid by exporters, are taken into interest earned over the disbursement and repayment periods of a loan.

Export Loan Fees Earned

Administration fees are taken into income as earned over the disbursement and repayment periods of a loan, and standby fees are taken into income over the disbursement period.

Insurance Premiums

For short term global export insurance policies, premiums are taken into income at the commencement of coverage. Premiums on the other export insurance policies are taken into income using methods which generally reflect the exposures over the terms of the policies.

Translation of Foreign Currency

Assets and liabilities are translated into Canadian dollars at exchange rates prevailing at year end. Income and expenses are translated at average monthly exchange rates in effect during the year.

3. Loans Receivable

Loans receivable from both sovereign and commercial borrowers, net of participation by other lenders, mature as follows:

	December 31	
	1981	1980
	(in thousands of dollars)	
Overdue	12,266	433
1981		33,537
1982	36,456	41,037
1983	54,925	58,655
1984	60,597	59,510
1985	64,380	57,008
1986	64,066	57,302
1987 and thereafter	372,846	311,073
Total	665,536	618,555
Commercial loans included above	153,531	136,542
Overdue interest	10,031	113

In order to facilitate the collectibility of some loans or portion of loans, agreements have been concluded to reschedule principal and interest payments in the following amounts:

	December 31	
	1981	1980
	(in thousands of dollars)	
During the year —Interest	3,462	720
—Principal		
	3,462	720
Balance of rescheduled loans outstanding	6,138	2,718

4. Commitments and Contingent Liabilities

Undisbursed commitments on signed loan agreements and other guarantee commitments of the Accounts administered for Canada as at December 31, 1981 were $49,512,000 (December 31, 1980—$33,586,000).

Insurance in force and other contingent liabilities of the Accounts administered for Canada as at December 31, 1981 were $266,505,000 (December 31, 1980—$383,735,000).

5. Statutory Limits

The Export Development Act allows the Accounts administered for Canada to have outstanding loans and commitments to foreign borrowers up to a maximum of $2,500,000,000. The position against this limit as at December 31, 1981 was $743,302,000 (December 31, 1980—$665,277,000).

The Act also specifies that the Accounts administered for Canada can incur liabilities under contracts of insurance, related guarantees and guarantees pertaining to the lending program up to a maximum of $3,500,000,000. The position against this limit as at December 31, 1981 was $266,505,000 (December 31, 1980—$383,735,000).

FARM CREDIT CORPORATION

(Established by the Farm Credit Act)

AUDITOR'S REPORT

THE HONOURABLE EUGENE FRANCIS WHELAN, P.C., M.P.
MINISTER OF AGRICULTURE

I have examined the balance sheet of Farm Credit Corporation as at March 31, 1982 and the statements of operations and retained earnings, and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements give a true and fair view of the financial position of the Corporation as at March 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

KENNETH M. DYE
Auditor General of Canada

Ottawa, Ontario
June 9, 1982

BALANCE SHEET AS AT MARCH 31, 1982

(in thousands of dollars)

ASSETS	1982	1981
Cash	12,377	3,336
Accounts receivable	109	88
Loans to farmers, secured by mortgages (Note 3)	3,812,957	3,452,254
Loans to farm syndicates, secured by notes (Note 3)	17,454	14,668
Agreements for sale (Note 3)	17,394	15,084
	3,847,805	3,482,006
Less: allowance for doubtful accounts	11,010	5,340
	3,836,795	3,476,666
Real estate (Note 4)	3,327	1,947
Fixed assets (Note 5)	1,289	1,017
	3,853,897	3,483,054

LIABILITIES	1982	1981
Accounts payable and accrued liabilities	2,622	1,736
Due to Canada (Note 6)	232	148
Fire insurance recoveries and other deposits	1,046	1,694
Provision for employee termination benefits	2,017	1,967
Deferred income taxes	7,932	6,340
Canada loans (Note 7)	3,686,328	3,332,466
	3,700,177	3,344,351
EQUITY OF CANADA		
Contributed capital (Note 8)	142,848	129,700
Retained earnings (Note 9)	10,872	9,003
	153,720	138,703
	3,853,897	3,483,054

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Corporation:

PAUL BABEY
Vice-Chairman

G. I. TRANT
Member

FARM CREDIT CORPORATION—*Continued*

STATEMENT OF OPERATIONS AND RETAINED EARNINGS FOR THE YEAR ENDED MARCH 31, 1982
(in thousands of dollars)

	1982	1981
Income		
Interest earned on loans to farmers	333,675	283,833
Deduct: interest on loans from Canada	302,736	254,580
Interest margin	30,939	29,253
Fees earned	1,037	964
Other interest income and service charges	4,546	2,677
Gross income	36,522	32,894
Expenses		
Salaries and employee benefits	18,626	16,764
Provision for doubtful accounts	8,711	3,725
Office accommodation	1,831	1,501
Travel	1,788	1,510
Telephone	459	375
Rental and maintenance of office equipment	393	325
Printing, stationery and office supplies	329	315
Depreciation	180	166
Postage and delivery	162	132
Miscellaneous	582	393
	33,061	25,206
Net income before income taxes	3,461	7,688
Deferred income taxes	1,592	3,536
Net income (Note 9)	1,869	4,152
Retained earnings, beginning of year	9,003	4,851
Retained earnings, end of year (Note 9)	10,872	9,003

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1982
(in thousands of dollars)

	1982	1981
Funds provided		
From Canada:		
Gross borrowings	489,506	398,595
Less: principal refinanced	131,027	133,158
	358,479	265,437
Capital contributed	13,148	10,400
	371,627	275,837
From farmers:		
Repayments and prepayments of principal	110,801	123,695
Increase in amount held for future instalments	1,067	3,165
	111,868	126,860
	483,495	402,697
Funds applied		
To operations		
Net income	(1,869)	(4,152)
Items not involving cash:		
Depreciation, deferred taxes and allowances	(7,492)	(6,102)
Increase in interest due from farmers	18,110	5,373
Net changes in accrued interest	8,171	9,516
Interest refinanced and fees paid from loan funds	4,737	7,448
Total to operations	21,657	12,083
To farmers		
Gross loan disbursements	476,714	503,863
Less: amount refinanced	47,091	119,529
Net loan disbursements	429,623	384,334
Less: fees and interest paid from loan funds	1,814	1,589
	427,809	382,745
Repayment of borrowings from Canada	23,456	5,521
Net changes in other assets and liabilities	1,532	1,014
	474,454	401,363
Increase in cash	9,041	1,334
Cash at beginning of year	3,336	2,002
Cash at end of year	12,377	3,336

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1982

1. Corporate objectives

The Farm Credit Corporation was established on October 5, 1959, by the Farm Credit Act as the successor to the Canadian Farm Loan Board. The Corporation's prime objective is to assist Canadian farmers to establish and develop viable farm enterprises through the use of long-term credit as provided for by the Farm Credit Act.

The Corporation also administers the lending program authorized under the Farm Syndicates Credit Act which was originally introduced as the Farm Machinery Syndicates Credit Act on December 11, 1964. It provides for loans to groups or syndicates of farmers organized to share in the purchase and use of farm machinery, buildings and installed equipment

FARM CREDIT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1982—*Continued*

2. Significant accounting policies

Allowance for doubtful accounts

The allowance for doubtful accounts relates to loans to farmers, loans to farm syndicates and agreements for sale. This allowance represents the Corporation's estimate of future probable losses on the accounts outstanding at March 31, 1982.

Actual losses on loans, recoveries on loans and the changes in the allowance are recorded in the statement of operations and retained earnings as a provision for doubtful accounts.

Revenue recognition

Interest on loans to farmers, loans to farm syndicates and agreements for sale is recorded as income on an accrual basis. Appraisal fees relating to loan applications are recorded as income when received. Appraisal fees withheld from loan funds are recorded as income at the time the loans are disbursed. Partial discharge fees are recorded as income when the discharge occurs. Service charges earned on loans to farm syndicates are recorded as income when loans are disbursed.

Fixed assets

Fixed assets are recorded at cost. Leasehold improvements are amortized using the straight-line method over the term of the lease and one renewal period. Other fixed assets are depreciated using the diminishing balance method at annual rates of 20% for furniture and equipment and 30% for automobiles.

Income taxes

The Corporation records income taxes on the tax allocation basis which recognizes the income tax effect on transactions when they are recorded in accounting income, regardless of when such items are recognized for tax purposes. Deferred income taxes result primarily from the timing difference between the provision for doubtful accounts charged to operations and the amount claimed for tax purposes with respect to mortgage reserves deducted under Section 33 of the Income Tax Act.

3. Long-term receivables

Outstanding amounts are receivable over periods of up to thirty years at interest rates in effect at the time of approval.

	Period not exceeding	Annual interest rate %	Outstanding amount (in thousands of dollars) 1982	1981
Loans to farmers	30 years	5-16 ¾	3,812,957	3,452,254
Loans to farm syndicates	15 years	6 ¼-17 ½	17,454	14,668
Agreements for sale	30 years	5-16 ¾	17,394	15,084
			3,847,805	3,482,006

Agreements for sale of $17,394,000 (1981—$15,084,000) consists of $10,156,000 (1981—$7,278,000) pertaining to agreements for sale and mortgages arising from sales of real estate under the Farm Credit Act and $7,238,000 (1981—$7,806,000) pertaining to agreements for sale under the Small Farm Development Program.

A summary of long-term receivables in the aggregate, by annual interest rate and fiscal year of maturity, is as follows:

Annual interest rate %	Maturities by fiscal year (in thousands of dollars) Total	1983	1984	1985	1986	1987	1988 through 2012
5-5⅞	206,263	22,406	15,596	15,627	15,585	15,442	121,607
6-6⅞	238,565	19,523	10,850	11,318	11,813	12,304	172,757
7-7⅞	363,249	25,399	13,181	13,910	14,632	15,469	280,658
8-8⅞	679,298	50,594	16,736	17,947	19,065	20,174	554,782
9-9⅞	903,544	70,728	15,576	16,650	17,948	19,319	763,323
10-10⅞	507,045	38,732	6,823	7,415	7,999	8,670	437,406
11-11⅞	152,007	11,332	1,732	1,898	1,992	2,154	132,899
12-12⅞	299,521	20,727	2,758	3,087	3,458	3,825	265,666
13-13⅞	157,108	12,263	1,885	2,050	2,133	2,206	136,571
14-14⅞	286,253	18,380	2,786	3,071	3,394	3,687	254,935
15-15⅞	1,077	29	8	9	11	12	1,008
16-16⅞	53,341	1,170	256	300	352	412	50,851
17-17½	534	110	83	83	82	81	95
	3,847,805	291,393	88,270	93,365	98,464	103,755	3,172,558

At March 31, 1982, accrued interest of $182,552,000 (1981—$155,541,000) and arrears of $53,384,000 (1981—$31,543,000) are included and are shown as maturing in the year ending March 31, 1983.

Prepayments of principal from borrowers of $35,774,000 (1981—$53,248,000) were received during the year and applied as a reduction of principal.

FARM CREDIT CORPORATION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1982—*Continued*

4. Real estate

This represents farm property held by the Corporation for resale and is carried at the lower of cost and net realizable value. It consists of property acquired in the process of administering the outstanding loans to farmers and to farm syndicates and must be disposed of by the Corporation within five years of acquisition or such further period as the Governor in Council may prescribe.

5. Fixed assets

	1982			1981
	Cost	Accumulated Depreciation	Net	Net
	(in thousands of dollars)			
Furniture and equipment	1,517	974	543	440
Automobiles	8	2	6	1
Leasehold improvements	847	107	740	576
	2,372	1,083	1,289	1,017

6. Due to Canada

Pursuant to an agreement with the Department of Agriculture, the Corporation's continuing administrative costs relating to the Land Transfer Plan, a component of the Department's Small Farm Development Program which terminated on March 31, 1979, are reimbursed by the Department and any excess of income over expense is paid to Canada.

The amount due to Canada of $232,000 (1981—$148,000) in respect of operations during the year under this program is determined as follows:

	1982	1981
	(in thousands of dollars)	
Interest earned and other income	843	786
Less: interest on loans from Canada	620	646
Excess of income over interest expense	223	140
Funds received from Agriculture Vote 20 (1981—Vote 25)	40	40
Less: administrative expenses	31	32
	9	8
	232	148

7. Canada loans

The Corporation has borrowed funds, secured by note, from the Minister of Finance for the purpose of making farm loans, pursuant to section 13 of the Farm Credit Act and section 8 of the Farm Syndicates Credit Act. Loans are also outstanding that were borrowed for the purposes of the Small Farm Development Program pursuant to the Farm Credit Act, as authorized by Order in Council P.C. 1972-1490 dated June 29, 1972. These borrowings are repayable in accordance with the terms and interest rates prescribed at the time of borrowing.

Outstanding amounts as at March 31, 1982 are as follows:

	Period not exceeding	Annual interest rate %	Outstanding amount (in thousands of dollars) 1982	1981
Farm Credit Act	20 years	4-15¾	3,559,015	3,226,192
Farm Syndicates Credit Act	5 years	8½-16½	16,576	13,985
Small Farm Development Program	20 years	6-9	8,667	9,058
Accrued interest			102,070	83,231
			3,686,328	3,332,466

A summary of the Canada loans in the aggregate, by interest rate and fiscal year of maturity, is as follows:

Annual interest rate %	Maturities by fiscal year (in thousands of dollars) Total	1983	1984	1985	1986	1987	1988 through 2003
4-4⅞	6,019	2,541	2,134	1,344			
5-5⅞	149,618	36,462	31,852	33,597	35,439	12,268	
6-6⅞	447,457	47,977	34,706	36,930	39,295	41,813	246,736
7-7⅞	445,412	32,879	26,736	28,628	30,793	33,121	293,255
8-8⅞	1,029,754	54,281	36,165	38,738	41,657	45,205	813,708
9-9⅞	674,531	31,184	17,475	19,118	20,720	22,495	563,539
10-10⅞	1,864	564	520	520	260		
11-11⅞	170,588	7,476	3,016	3,342	3,708	3,958	149,088
12-12⅞	236,375	10,675	4,350	4,797	5,298	5,492	205,763
13-13⅞	352,763	31,501	4,838	5,375	5,984	6,674	298,391
14-14⅞							
15-15⅞	170,069	6,518	1,469	1,709	1,989	2,315	156,069
16-16½	1,878	258	360	360	360	360	180
	3,686,328	262,316	163,621	174,458	185,503	173,701	2,726,729

The amounts outstanding as at March 31, 1982, include accrued interest totalling $102,070,000 (1981—$83,231,000) and are shown as maturing in the year ending March 31, 1983.

FARM CREDIT CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1982—*Concluded*

8. Contributed capital

The contributed capital of the Corporation represents the amount received from Canada under Section 12 of the Farm Credit Act. The present statutory limit on this amount is $150 million (1981—$150 million). Subsequent to the year-end, the limit has been increased as described in Note 15. In the current year, contributed capital of $13.1 million (1981—$10.4 million) was received from Canada.

9. Segmented information

Operations and retained earnings under the Farm Credit Act and the Farm Syndicates Credit Act are broken down as follows:

	Total		Farm Credit Act		Farm Syndicates Credit Act	
	1982	1981	1982	1981	1982	1981
	(in thousands of dollars)					
Income						
Interest earned on loans	333,675	283,833	331,830	282,440	1,845	1,393
Deduct: interest on loans from Canada	302,736	254,580	301,006	253,288	1,730	1,292
Interest margin	30,939	29,253	30,824	29,152	115	101
Fees earned	1,037	964	1,037	964		
Other interest income and service charges	4,546	2,677	4,453	2,602	93	75
Gross income	36,522	32,894	36,314	32,718	208	176
Expenses	33,061	25,206	32,965	25,128	96	78
Net income before income taxes	3,461	7,688	3,349	7,590	112	98
Deferred income taxes	1,592	3,536	1,592	3,536		
Net income	1,869	4,152	1,757	4,054	112	98
Retained earnings, beginning of year	9,003	4,851	8,623	4,569	380	282
Retained earnings, end of year	10,872	9,003	10,380	8,623	492	380

10. Interest rates

Unless otherwise established by Order in Council, loans to farmers bear an interest rate from the date of approval equal to the base rate defined in section 3(2) of the Farm Credit Act Interest Rates Regulations plus one per cent. The base rate is determined using the average yield on Government of Canada bonds payable in Canadian currency and due to mature in five to ten years. The lending rate is established for six month periods commencing April 1st and October 1st each year and applies to all loans approved in the related six-month period.

However, if a new loan under the Farm Credit Act is made, a portion of which is to be used to repay an existing Farm Credit Act loan, the current lending rate and the rate on the existing loan are blended and a composite rate charged. Except for the provision for blended rates, rates on loans to farm syndicates are determined in the same manner using the yield on Government of Canada bonds maturing in one to five years plus one per cent.

Interest rates on borrowings from Canada by the Corporation under section 13 of the Farm Credit Act are established for six-month periods commencing April 1st and October 1st each year in accordance with the terms and conditions approved by the Governor in Council. Similarly, rates on borrowings under section 8 of the Farm Syndicates Credit Act are set on these dates for the same six-month periods.

11. Funding commitments by Canada

In addition to the repayments of principal received from borrowers, the Corporation also receives and is dependent upon Canada for capital contributions and loans for the funding of its lending program. Accordingly, by Order in Council, the Minister of Finance is committed to provide a net increase in capital and loans of $349,300,000 for the year ending March 31, 1983.

12. Commitments to farmers

Loans to farmers approved but not disbursed as at March 31, 1982, amounted to $79.3 million (1981—$67.8 million) most of which were approved at 16¾% (1981—12¾%). It is expected that the majority of these loans will be disbursed within the six-month period ending September 30, 1982, from funds to be borrowed by the Corporation from Canada at 15½% (1981-13%).

13. Operating leases

The future minimum lease payments required under operating leases having initial non-cancellable lease terms in excess of one year are as follows:

	(in thousands of dollars)
Year ending March 31	
1983	1,280
1984	1,041
1985	945
1986	741
1987	640
Thereafter	3,542
	8,189

These leases generally provide for the payment by the Corporation of real estate taxes and operating expenses in excess of those amounts established at the commencement of the lease term.

14. Comparative figures

Certain figures for the previous year have been reclassified to conform to the current year's presentation.

15. Amendments to the Farm Credit Act

The Farm Credit Act was amended subsequent to March 31, 1982 to increase the Corporation's authorized capital from $150 million to $225 million. As a consequence, the Corporation's borrowing capacity has been increased from $3.750 billion to $5.625 billion.

In addition to its present authority to borrow funds from the Minister of Finance, the amended legislation provides that the Corporation may borrow funds from other sources with the approval of the Minister of Finance.

FEDERAL BUSINESS DEVELOPMENT BANK

AUDITOR'S REPORT

THE HONOURABLE MINISTER OF INDUSTRY
TRADE AND COMMERCE

I have examined the statement of assets and liabilities of the Federal Business Development Bank as at March 31, 1982 and the statements of operations, deficit and changes in cash position for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present a true and fair view of the financial position of the Bank as at March 31, 1982 and the results of its operations and the changes in its cash position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Bank, the financial statements are in agreement therewith and the transactions that have come under my notice have been within the statutory powers of the Bank.

CLAUDE D. HENRY, C.A.
of Maheu, Noiseux

Montreal, Quebec
June 1, 1982

STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31

(in thousands of dollars)

ASSETS	1982	1981
Cash	1,285	2,237
Treasury Bills and short-term investments	21,226	35,876
	22,511	38,113
Loans	1,995,515	2,046,975
Venture capital investments, less write-downs (Note 3)	26,583	25,697
	2,022,098	2,072,672
Interest due and accrued	30,927	26,065
	2,053,025	2,098,737
Less: accumulated provision for possible future losses (Note 4)	143,110	107,100
	1,909,915	1,991,637
Fixed assets, less accumulated depreciation	9,043	5,134
Unamortized debt issue expenses	12,438	8,568
Other assets	4,056	3,076
	1,957,963	2,046,528

LIABILITIES	1982	1981
Cheques outstanding	14,618	14,540
Short-term notes	60,447	68,211
Accrued interest on debentures		4,570
Accrued interest on short and long-term notes	69,711	62,701
Other liabilities	7,450	5,957
	152,226	155,979
Debentures outstanding		131,600
Notes held by Canada (Note 5)	763,000	934,000
Notes payable, other than to Canada (Note 6)	879,280	631,870
	1,794,506	1,853,449
CAPITAL		
Capital paid in by Canada (Note 7)	268,000	222,000
Deficit	(104,543)	(28,921)
	163,457	193,079
	1,957,963	2,046,528

Contingent Liabilities (Note 8)

Approved by the Board:

GUY DESMARAIS
Director

GUY A. LAVIGUEUR
Director

FEDERAL BUSINESS DEVELOPMENT BANK—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

FINANCIAL SERVICES

	1982	1981
Interest Income		
Loans	279,666	261,990
Venture capital investments	1,065	2,022
	280,731	264,012
Interest Expense		
Long-term notes	183,797	153,278
Short-term notes	11,441	12,120
Debentures	2,965	15,758
	198,203	181,156
Net interest income	82,528	82,856
Provision for losses on loans and for write-downs of venture capital investments	86,457	60,955
Net interest income (expense) after provision and write-downs	(3,929)	21,901
Non-Interest Expenses		
Salaries and other staff benefits	49,567	46,260
Premises and equipment expenses, including depreciation	9,061	8,007
Other expenses	14,686	13,891
	73,314	68,158
Charged to Management Services	1,621	1,448
Net non-interest expenses	71,693	66,710
Net loss for the year	75,622	44,809

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

MANAGEMENT SERVICES

	1982	1981
Salaries and other staff benefits	7,817	6,298
Premises and equipment expenses	1,810	1,455
Training and information service publications	1,116	891
CASE counselling fees	2,481	2,371
Other expenses	5,389	4,933
	18,613	15,948
Charged by Financial Services	1,621	1,448
Total expenditures	20,234	17,396
Less: revenue from CASE counselling, training seminar registration, etc.	2,606	2,065
Amount recovered from the Department of Industry, Trade and Commerce Vote 65 (Vote 70, in 1981)	17,628	15,331
Total expenditures were incurred as follows:		
Management Counselling	6,293	5,789
Management Training	4,684	3,932
Information Services	5,274	4,414
Administration	2,077	1,512
Capital expenditures	285	301
	18,613	15,948
Charged by Financial Services	1,621	1,448
	20,234	17,396

STATEMENT OF DEFICIT
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	1982	1981
Retained earnings (deficit), beginning of year	(28,921)	15,888
Net loss for the year	(75,622)	(44,809)
Deficit, end of year	(104,543)	(28,921)

STATEMENT OF CHANGES IN CASH POSITION
FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	1982	1981
Source of cash		
Loans from sources other than Canada	247,410	401,870
Capital paid in by Canada (Note 7)	46,000	38,000
Repayments by borrowers and investees	334,782	339,793
	628,192	779,663
Net loss for the year	(75,622)	(44,809)
Items not requiring an outlay of cash—		
Provision for losses	86,457	60,955
Depreciation of fixed assets	1,693	1,427
Amortization of debt issue expenses	3,114	1,882
Net changes in accrued interest	(2,422)	15,085
Cash provided from operations	13,220	34,540
	641,412	814,203
Application of cash		
Disbursements to borrowers and investees	334,519	399,739
Repayment of maturing debentures	131,600	171,000
Repayment of maturing notes including conversion to capital (Note 7)	171,000	139,000
Net changes in short-term notes	7,764	46,789
Debt issue expenses	6,984	9,666
Other	5,225	1,165
	657,092	767,359
Net increase (decrease) in cash position	(15,680)	46,844
Increase (decrease) in cash, Treasury Bills and short-term investments	(15,602)	32,114
Add: decrease (increase) in cheques outstanding	(78)	14,730
	(15,680)	46,844

FEDERAL BUSINESS DEVELOPMENT BANK—*Continued*

NOTES TO FINANCIAL STATEMENTS
AS AT MARCH 31, 1982

1. Objectives and operations of the Corporation

Federal Business Development Bank is a Crown corporation wholly-owned by the Government of Canada, which was established December 20, 1974 by the Federal Business Development Bank Act, as the successor to the Industrial Development Bank which commenced operations in 1944.

The objectives of the Bank, as stated in the Act, are to promote and assist in the establishment of business enterprises in Canada by providing financial assistance, management counselling, management training, information and advice; giving particular consideration to the needs of small business enterprises.

The Bank's lending and venture capital investment operations are carried out by Financial Services. Management Services includes counselling, training and information services. A separate statement of operations is shown for Management Services since it is funded directly by Parliamentary appropriation.

Federal Business Development Bank is for all purposes an agent of the Government of Canada, and as such all liabilities of the Corporation are direct obligations of the Government of Canada.

The Bank is exempt from income taxes.

2. Significant accounting policies

Loans and venture capital investments

Loans and venture capital investments are recorded at principal amounts.

Provision for losses on loans and for write-downs of venture capital investments

A charge against income is made to adjust the accumulated provision for possible future losses to the level which provides for specifically identified probable losses on loans, as well as for unidentified future losses and to reflect write-downs of venture capital investments. The general portion of the accumulated provision is based on historical experience and is entended to cover future losses on loans and venture capital investments which have not yet been specifically identified. Write-downs of venture capital investments are recorded whenever a significant negative change occurs, or appears likely to occur, in the investee's business development plan.

Revenue recognition

Interest on loans is recorded as income on an accrual basis except that interest is not accrued on loans where management believes that the interest will not be recovered. Dividends, interest and capital gains on venture capital investments are recorded as income when received.

Fixed assets and depreciation

Fixed assets are recorded at cost. Depreciation is charged against income using either the straight-line or diminishing balance methods in amounts sufficient to amortize the cost of fixed assets over their estimated useful lives.

With respect to the Management Services function of the Bank, all capital expenditures are recovered from the Department of Industry, Trade and Commerce and hence are not capitalized.

Debt issue expenses

Discounts, premiums and expenses related to the issue of the long term debt are amortized on a straight-line basis over the term of the obligations to which they pertain and charged to interest expense.

Translation of foreign currencies

Notes payable in foreign currencies are hedged by forward exchange contracts and are translated into Canadian dollars at the rates provided therein. The difference between the ultimate amount payable at the contracted rate and the cash proceeds of the issue is considered to be a financing cost and is therefore amortized by a charge to interest expense over the life of the obligation on a straight-line basis. The unamortized portion of these costs is included with unamortized debt issue expenses in the statement of assets and liabilities. The related interest payable on these note issues is also hedged by forward exchange contracts and is translated into Canadian dollars at such contract rates.

3. Venture capital investments

	(in thousands of dollars)	
	1982	1981
Shares	15,522	11,264
Shareholder advances	17,711	16,213
Participating debentures	5,015	5,582
Convertible debentures	2,225	1,520
	40,473	34,579
Less: amount of write-downs	13,890	8,882
	26,583	25,697

4. Accumulated provision for possible future losses on loans and venture capital investments

	(in thousands of dollars)	
	1982	1981
Accumulated provision, beginning of year	107,100	82,000
Recovery of amounts previously written off	1,912	961
Amounts written off during the year	(47,351)	(33,234)
	61,661	49,727
Additional provision required to provide for possible future losses on loans and for write-downs of venture capital investments	86,457	60,955
Portion of the above additional provision applied directly against the cost of venture capital investments	(5,008)	(3,582)
Accumulated provision, end of year	143,110	107,100

FEDERAL BUSINESS DEVELOPMENT BANK—*Concluded*

NOTES TO FINANCIAL STATEMENTS AS AT MARCH 31, 1982—*Concluded*

5. Notes held by Canada

Maturities by fiscal year were as follows:

Rate %	1983	1984	1985	1986	1987	1988	Total
	(in thousands of dollars)						
8-8⅞	53,000	54,000	36,000	34,000			177,000
9-9⅝	75,000	75,000	78,000	43,000	43,000		314,000
10-10⅛	43,000	43,000	43,000	42,000	50,000	51,000	272,000
	171,000	172,000	157,000	119,000	93,000	51,000	763,000

6. Notes payable, other than to Canada

Maturities by fiscal year were as follows:

Rate %	1984	1985	1986	1987	1988-95	Total
	(in thousands of dollars)					
10.1-11¾		50,000	113,000	3,000	109,000	275,000
12¼-13⅝	65,000	65,000	151,870			281,870
14-15¾	75,000	83,060		124,350		282,410
17¾				40,000		40,000
	140,000	198,060	264,870	167,350	109,000	879,280

The above includes notes payable of US $265,000,000.

7. Capital paid in by Canada

	1982	1981
	(in thousands of dollars)	
Balance, beginning of year	222,000	184,000
Add:		
Cash paid in	46,000	31,000
Conversion of notes held by Canada		7,000
	46,000	38,000
Balance, end of year	268,000	222,000

8. Contingent liabilities and commitments

The Bank is contingently liable as guarantor of loans aggregating $19,448,750.

The undisbursed amount at March 31, 1982 on loans and venture capital investments authorized aggregated $106,045,000 (1981—$104,000,000).

9. Pension fund

The Bank has a pension plan for its employees which is contributory and trusteed. Related costs, net of employees' contributions, are charged to earnings as paid. Based on an independent actuarial valuation as at December 31, 1981, the plan was fully funded at that date.

10. Statutory limitations on operations

In accordance with the Federal Business Development Bank Act the Minister of Finance of Canada may, with the approval of the Governor in Council, authorize capital payments to the Bank provided that capital (including deficit) is less than $475 million. The total of direct and contingent liabilities of the Bank is limited to a maximum of 12 times such capital and deficit (or up to 15 times with the approval of the Governor in Council) and may never exceed $3.2 billion. The ratio of the direct and contingent liabilities of the Bank to its capital, as defined, was 11.1:1 at March 31, 1982.

11. Venture Capital Division

Included within the statement of operations for Financial Services are the results of the Venture Capital Division which are segregated below. The Venture Capital Division is responsible for all venture capital customers, including the associated regular loans that form part of their financing arrangement.

RESULTS OF VENTURE CAPITAL DIVISION FOR THE YEAR ENDED MARCH 31
(in thousands of dollars)

	1982	1981
Income		
Loans	3,637	3,003
Venture capital investments	1,065	2,022
	4,702	5,025
Interest expense	6,193	5,138
Net interest expense	1,491	113
Provision for losses on loans and for write-downs of venture capital investments	8,024	4,635
Net interest expense after provision and write-downs	9,515	4,748
Non-interest expenses		
Salaries and other staff benefits	2,095	1,625
Other expenses	757	501
Net loss for the year	12,367	6,874

12. Comparative financial data

Certain amounts pertaining to the fiscal year ended March 31, 1981 have been reclassified to comply with the presentation adopted for the fiscal year ended March 31, 1982. For the purpose of determining the bank's floating rate, net non-interest expenses is identical to net operating expenses.

FRESHWATER FISH MARKETING CORPORATION

(*Established by the Freshwater Fish Marketing Act*)

AUDITOR'S REPORT

THE HONOURABLE ROMÉO LEBLANC, P.C., M.P.
MINISTER OF FISHERIES AND OCEANS

I have examined the balance sheet of the Freshwater Fish Marketing Corporation as at April 30, 1981 and the statements of operations, retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements give a true and fair view of the financial position of the Corporation as at April 30, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

KENNETH M. DYE
Auditor General of Canada

Ottawa, Ontario
July 27, 1981

BALANCE SHEET AS AT APRIL 30, 1981

ASSETS	1981	1980
	$	$
Current		
Cash	327,750	
Advances to agents	97,202	130,434
Accounts receivable		
Trade	4,257,019	3,783,640
Other (Note 4)	821,788	633,116
Contributions receivable (Note 5)	942,734	229,135
Inventory		
Finished fish products	6,821,658	3,880,663
Packing material and parts	2,115,081	1,918,134
Prepaid expenses	262,004	249,557
	15,645,236	10,824,679
Fixed (Note 6)		
Land, buildings and equipment, at cost, less accumulated depreciation and amortization	5,255,797	5,450,022
	20,901,033	16,274,701

LIABILITIES	1981	1980
	$	$
Current		
Bank indebtedness		1,141,148
Accounts payable	1,497,821	1,541,584
Due to agents—Fish purchases	505,728	68,878
Accrued interest payable	209,979	180,979
Working capital loans from Canada (Note 7)	6,350,000	2,225,000
Current portion of long-term debt (Note 7)	534,049	547,267
Provision for final payments to fishermen	6,827,693	5,790,360
	15,925,270	11,495,216
Long-term debt		
Fixed asset loans from Canada net of current portion (Note 7)	4,221,954	4,307,226
EQUITY		
Retained earnings	753,809	472,259
	20,901,033	16,274,701

The accompanying notes are an integral part of the financial statements.

Approved by the Board:

T. STEFANSON
Director

D. M. GAUVIN
Director

FRESHWATER FISH MARKETING CORPORATION—*Continued*

STATEMENT OF OPERATIONS AND RETAINED EARNINGS FOR THE YEAR ENDED APRIL 30, 1981

	1981	1980
	$	$
Sales	40,603,248	37,443,418
Cost of sales (Note 5)	31,221,354	29,596,500
Gross margin	9,381,894	7,846,918
Selling and administrative expenses		
Interest (Note 3)	664,089	556,008
Salaries and employee benefits	948,398	792,353
Bad debt expense	55,404	(53,982)
Other administrative expenses	604,760	507,379
	2,272,651	1,801,758
Net income for the year before final payments to fishermen	7,109,243	6,045,160
Provision for final payments to fishermen	6,827,693	5,623,242
Net income for the year (Note 10)	281,550	421,918
Retained earnings at beginning of year	472,259	50,341
Retained earnings at end of year	753,809	472,259

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED APRIL 30, 1981

	1981	1980
	$	$
Funds provided		
Operations		
Net income for the year (Note 10)	281,550	421,918
Add: item not requiring an outlay of funds		
Depreciation and amortization	534,049	547,267
	815,599	969,185
Increase in long-term debt		522,383
	815,599	1,491,568
Funds applied		
Decrease in long-term debt	85,272	
Additions to fixed assets	339,824	725,085
	425,096	725,085
Increase in working capital	390,503	766,483
Working capital deficiency at beginning of year	670,537	1,437,020
Working capital deficiency at end of year	280,034	670,537

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS APRIL 30, 1981

1. Objectives and operations of the Corporation

The Freshwater Fish Marketing Corporation was established by the Freshwater Fish Marketing Act in February 1969 as a company without share capital for the purpose of marketing and trading in fish, fish products and fish by-products in and out of Canada. The Corporation is a proprietary Crown corporation of Canada and is required to conduct its operations on a self-sustaining basis. Total loans outstanding from Canada and from banks may not exceed $18 million.

The Corporation has the exclusive right to market the products of the commercial fishery in the provinces participating in the program in inter-provincial and export trade. Participation of the provinces of Manitoba, Saskatchewan, Alberta, the Northwest Territories and Ontario was established by agreement with the Government of Canada.

2. Significant accounting policies

Inventory

Inventories have been valued on the following bases:

Finished fish products—At lower of cost and net realizable value.

Packaging material and parts—At lower of cost and replacement cost.

Depreciation and amortization

The cost of fixed assets is written off by depreciation charges over the estimated useful lives of the fixed assets on the following bases:

Buildings	—Lake stations	10%	Straight-line
	—Plant	40 years	Straight-line
Equipment	—Plant	20%	Declining balance
	—Mobile	30%	Declining balance
Packer vessel		15 years	Straight-line

Leasehold improvements are amortized on a straight-line basis over the term of the lease. Lease terms vary in length from 2 years to 20 years.

Payments to fishermen

The Corporation purchases fish at initial prices established by the Board of Directors and the cost of such purchases is included in the Statement of Operations as part of Cost of Sales. A guide used in the determination of the initial prices is 80% of the projected total payments to fishermen (initial plus final) based upon forecasts prepared by the Corporation. Final payments, if any, to fishermen are determined by the Board after the end of the year, based on the results of operations for the year. The final payments are made in respect of products purchased during the year and therefore are charged to expense in the current year's Statement of Operations.

Foreign currency translation

Accounts receivable and payable in foreign currency are translated to Canadian dollars at the year end exchange rate. Transactions in foreign currency during the year are translated at the rate in effect at the time of the transaction.

3. **Interest expense**

The net gain on foreign exchange for the year amounted to $76,731 ($91,564—1980). Interest expense of $740,820 ($647,572—1980) has been reduced by this amount.

FRESHWATER FISH MARKETING CORPORATION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
APRIL 30, 1981—*Concluded*

4. Mortgage loan receivable

Accounts receivable—Other—Includes $149,000 ($136,000—1980) which is a loan secured by a chattel mortgage. The loan, which was to be repaid by May 1, 1984 in monthly instalments, is in default, and the Corporation is proceeding with litigation.

5. Contributions receivable

The Corporation operates certain fish packing and processing plants which, due to their remoteness, incur excessive freight and other costs. These amounts are expected to be recovered from various federal and provincial government departments upon whose support the existence of these operations depends. In the event that these amounts cannot be collected from governments, the Corporation will seek to recover these amounts from fishermen's final payments.

The Corporation has received agreement from federal and provincial governments for contributions to offset costs incurred by the Corporation in operating certain of its fish packing and processing plants, as follows:

	1981	1980
	$	$
Island Lake, Manitoba	210,000	227,000
Gunnar, Saskatchewan		155,000
Hay River, N.W.T.		23,000
	210,000	405,000

During the year, a total of $210,000 ($317,000—1980) in government assistance has been offset against costs included in the Cost of Sales section of the Statement of Operations.

6. Fixed assets

At April 30, 1981 the fixed assets and related accumulated depreciation and amortization were as follows:

	1981			1980
	Cost	Accumulated depreciation and amortization	Net book value	Net book value
	$	$	$	$
Land	259,266		259,266	259,266
Buildings	4,402,312	1,105,941	3,296,371	3,350,395
Equipment	4,011,263	2,618,672	1,392,591	1,488,801
Packer vessel	267,490	163,864	103,626	121,761
Construction in progress	30,214		30,214	75,123
Leasehold improvements	480,072	306,343	173,729	154,676
	9,450,617	4,194,820	5,255,797	5,450,022

Leasehold improvements

The Corporation has spent $1,208,319 on land and a processing plant constructed for the Department of Indian Affairs and Northern Development at Hay River, N.W.T. Under a twenty-year agreement dated July 1, 1972 the Department has leased this property back to the Corporation for one dollar ($1.00) per year. The Corporation has received $1,000,000 from the Department and the balance of $208,319 is being amortized as a leasehold improvement over the term of the lease.

Depreciation and amortization for the year

	1981	1980
	$	$
Depreciation	498,394	501,496
Amortization	35,655	45,771
	534,049	547,267

7. Loans from Canada

These demand loans, secured by promissory notes, are made under Section 17 of the Act. At April 30, 1981 the outstanding loans included the following:

	Amount	Interest Rate
	$	%
Working capital loans	650,000	13¼
	2,100,000	13¾
	3,600,000	14
	6,350,000	
Fixed asset loans	1,274,729	4⅞
	158,000	7⅜
	801,044	8⅛
	623,000	9⅛
	300,000	10⅛
	1,191,122	10⅞
	408,108	14
	4,756,003	

In general, fixed asset loans are repaid in amounts equal to the sum of the annual provision for depreciation on all fixed assets and proceeds derived from fixed asset transactions. The amount due on June 1st, 1981 is approximately $534,000.

8. Remuneration to foreign agents

During the year, the Corporation paid an aggregate amount of $535,039 ($382,677—1980) to the following foreign sales agents: L.H. Frohman & Sons; Juhl Brokerage Incorporated; Bill Bush & Associates; International Pacific Seafoods; Maripac International; Sahakian & Salm; Three Crown Sales, Inc.; D/S Food Marketing, Inc.; Sid Alpers Sales Company; Ocean Fresh Seafoods, Inc.;—U.S. I. Le Grande, H. Malo et Cie—France; Lejos Oy—Finland; Malm & Stahl—Sweden; Rud Kanzow GmbH & Co.—Germany.

9. Comparative figures

Certain of the 1980 comparative figures have been reclassified to conform with the 1981 presentation.

10. Corporate income taxes

Net income for the year is $281,550 ($421,918—1980). In arriving at this figure income taxes for the year of $50,000 ($154,000—1980) have been offset by a tax recovery due to the application of tax losses carried forward from prior years. Operating income for the year after taxes but before tax recoveries is $231,550 ($267,918—1980).

The Corporation has the following amounts available to reduce future taxable income:

Undepreciated capital cost in excess of net book value of fixed assets $3,477,000.

A loss carry-forward of $236,294 available until April 1983.

GREAT LAKES PILOTAGE AUTHORITY, LTD.

(Continued under the Canada Business Corporations Act)

AUDITOR'S REPORT

THE HONOURABLE JEAN-LUC PEPIN, P.C., M.P.
MINISTER OF TRANSPORT

I have examined the balance sheet of Great Lakes Pilotage Authority, Ltd. as at December 31, 1981 and the statements of operations, deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Authority as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Authority, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

KENNETH M. DYE
Auditor General of Canada

Ottawa, Ontario
January 22, 1982

BALANCE SHEET AS AT DECEMBER 31, 1981

ASSETS	1981	1980
	$	$
Current		
Cash and short-term deposits	1,899,340	2,500,405
Accounts receivable	949,430	843,718
	2,848,770	3,344,123
Fixed, at cost		
Buildings	62,938	62,938
Furniture and equipment	58,638	23,247
	121,576	86,185
Less: accumulated depreciation	62,949	50,226
	58.627	35,959
	2,907,397	3,380,082

LIABILITIES	1981	1980
	$	$
Current		
Accounts payable and accrued liabilities	2,439,548	1,998,976
Productivity bonus payable	11,162	272,148
	2,450,710	2,271,124
Accrued employee termination benefits	2,552,837	2,287,536
	5,003,547	4,558,660
DEFICIT		
Capital stock		
Authorized—Unlimited		
Issued and fully paid—15 shares	1,500	1,500
Contributed capital	82,074	82,074
Deficit	(2,179,724)	(1,262,152)
	(2,096,150)	(1,178,578)
	2,907,397	3,380,082

Approved by the Board:

R. G. ARMSTRONG
Director

L. E. BELAND
Director

GREAT LAKES PILOTAGE AUTHORITY, LTD.—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	$	$
Income		
Pilotage charges	8,515,081	9,187,648
Miscellaneous dispatching income	173,984	159,467
Interest and other income	218,466	188,815
	8,907,531	9,535,930
Expenses		
Pilots' salaries and benefits	7,409,917	7,001,862
Staff salaries and benefits	948,811	875,773
Transportation and travel	619,115	689,140
Pilot boats	416,107	381,309
Employee termination benefits	379,309	409,340
Communications	69,713	62,481
Professional and special services	41,340	76,046
Utilities, materials and supplies	37,338	22,636
Rentals	31,573	36,372
Depreciation	13,342	6,350
Repairs and maintenance	10,822	11,020
	9,977,387	9,572,329
Loss from operations	(1,069,856)	(36,399)
Insurance premiums refunded	152,284	76,666
Net income (loss) for the year	(917,572)	40,267

STATEMENT OF DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	$	$
Balance, beginning of the year	1,262,152	1,302,419
Net income (loss) for the year	(917,572)	40,267
Balance, end of the year	2,179,724	1,262,152

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	$	$
Funds provided		
Operations		
Net income for the year		40,267
Items not requiring an outlay of funds		
Provision for employee termination benefits		409,340
Depreciation		6,350
Funds provided by operations		455,957
Funds applied		
Operations		
Loss for the year	917,572	
Items not requiring an outlay of funds		
Provision for employee termination benefits	(379,309)	
Depreciation	(13,342)	
Funds utilized by operations	524,921	
Additions to fixed assets	36,010	2,638
Payment of employee termination benefits	114,008	97,804
	674,939	100,442
Increase (decrease) in working capital	(674,939)	355,515
Working capital, beginning of the year	1,072,999	717,484
Working capital, end of the year	398,060	1,072,999

GREAT LAKES PILOTAGE AUTHORITY, LTD.—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1981

1. Nature of activities

The Great Lakes Pilotage Authority was established on February 1, 1972 pursuant to the Pilotage Act and incorporated as a limited company on May 17, 1972. Great Lakes Pilotage Authority, Ltd. is a subsidiary of the St. Lawrence Seaway Authority and is continued under the Canada Business Corporations Act.

The objectives of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The Act further provides that the tariffs of pilotage charges shall be fair and reasonable and consistent with providing a revenue, together with any revenue from other sources, sufficient to permit the Authority to operate on a self-sustaining financial basis.

2. Significant accounting policies

Parliamentary appropriations

When the income from pilotage charges is not sufficient to permit the Authority to operate on a self-sustaining financial basis, operating losses and capital expenditures are recovered from parliamentary appropriations. For the purposes of these parliamentary appropriations, operating losses do not include depreciation or any increase in accrued employee termination benefits.

Parliamentary appropriations with respect to operating losses are reflected in the statement of deficit, while parliamentary appropriations to finance capital expenditures are shown as contributed capital. Parliamentary appropriations are recorded in the accounts when received.

Depreciation

Depreciation of fixed assets is calculated on a straight-line basis and is based on the estimated useful life of the assets as follows:

Buildings	20 years
Furniture and equipment	5 to 10 years

Pension plan

All employees of the Authority are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. Contributions with respect to current service are expensed in the current period. Contributions with respect to past service benefits are expensed when paid, generally over the remaining service lives of the employees.

Employee termination benefits

Employees of the Authority are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to the employees.

3. Income tax

As a result of an amendment to sub-section 27(2) of the Income Tax Act in 1979, Revenue Canada had taken the position that the Authority may be liable for taxes, however, Revenue Canada has now confirmed the Authority's tax exempt status.

4. Pension plan

Under provisions of the Pilotage Act, pilots who choose to become employees of the Authority are entitled to count service prior to becoming an employee as pensionable under the Public Service Superannuation Act. For pilots who have elected to purchase pension benefits with respect to past service, the Authority is required to match the employee contribution. The estimated unfunded past service pension contribution with respect to these employees was approximately $625,900 as of December 31, 1981 (1980—$709,000) and will be funded over the remaining service lives of the pilots, or the terms of purchase whichever is the lesser.

The total pension expense was $547,091 in 1981 and $545,372 in 1980 including $83,235 and $94,045 for past service contributions respectively.

5. Remuneration of directors and officers

The remuneration of directors as directors amounted to $5,250 (1980—$3,000) and the remuneration of officers as officers amounted to $150,000 (1980—$134,000). The Authority has seven directors and four officers. Two officers are also directors.

6. Related party transactions

The Authority receives certain administrative services from its parent company The St. Lawrence Seaway Authority. During 1981 the cost of these services was $2,450 (1980—$1,000).

7. Subsequent event

The Authority has applied for a parliamentary appropriation to recover its 1981 operating loss less the items which do not require an outlay of funds.

The Authority received Treasury Board approval on January 14, 1982 to borrow from the Government Contingency Fund amounts to cover its 1981 operating loss. The funds borrowed are to be repaid on approval of the supplementary estimate.

8. Comparative figures

To conform to the financial statement presentation of 1981, changes have been made to the classification of certain items and comparative figures.

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED

(Incorporated under the Canada Business Corporations Act)

AUDITOR'S REPORT

THE HONOURABLE JEAN-LUC PEPIN, P.C., M.P.
MINISTER OF TRANSPORT

I have examined the balance sheet of The Jacques Cartier and Champlain Bridges Incorporated as at March 31, 1982 and the statements of operations, deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

KENNETH M. DYE
Auditor General of Canada

Ottawa, Ontario
April 30, 1982

BALANCE SHEET AS AT MARCH 31, 1982

ASSETS	1982	1981
	$	$
Current		
Cash and short-term deposits	4,483,732	4,706,359
Accounts receivable	146,838	164,478
	4,630,570	4,870,837
Fixed		
Land	3,751,039	3,751,039
Bridges	73,249,452	73,249,190
Vehicles and equipment	452,806	424,728
	77,453,297	77,424,957
Accumulated depreciation	52,153,482	51,039,572
	25,299,815	26,385,385
	29,930,385	31,256,222

LIABILITIES	1982	1981
	$	$
Current		
Accounts payable	945,691	1,106,258
Due to parent company	49,521	
Due to Canada	29,924	185,896
Deferred revenues	413,915	387,446
	1,439,051	1,679,600
Long-term		
Provision for empl[illegible] termination benefits	679,049	511,233
Loans from Can[illegible]Note 3)	66,242,472	66,242,472
Interest in arrears (Note 4)	44,513,580	44,513,580
	111,435,101	111,267,285
CAPITAL STOCK AND DEFICIT		
Capital stock		
Authorized—50 shares of no par value		
Issued and paid—1 share	100	100
Capital deficiency (Note 5)	(72,034,150)	(72,064,595)
Deficit	(10,909,717)	(9,626,168)
	(82,943,767)	(81,690,663)
	29,930,385	31,256,222

On behalf of the Board:

WILLIAM A. O'NEIL
Director

JACQUES Y. LAVIGNE
Director

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1982

	Jacques Cartier Bridge	Champlain Bridge	Total	
			1982	1981
	$	$	$	$
Income				
Tolls		5,500,478	5,500,478	5,254,475
Interest	203,426	610,277	813,703	892,988
Other	102,218	49,384	151,602	185,562
	305,644	6,160,139	6,465,783	6,333,025
Expenses				
Operations	652,412	2,882,121	3,534,533	2,923,044
Maintenance	2,032,492	1,990,097	4,022,589	4,469,830
Administration	372,064	1,015,044	1,387,108	1,136,893
Depreciation	75,545	1,040,188	1,115,733	1,093,227
	3,132,513	6,927,450	10,059,963	9,622,994
Operating loss	2,826,869	767,311	3,594,180	3,289,969
Interest on loans (Note 3)				2,812,673
Loss for the year	2,826,869	767,311	3,594,180	6,102,642

STATEMENT OF DEFICIT
FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Balance at beginning of the year	9,626,168	5,732,654
Loss for the year	3,594,180	6,102,642
	13,220,348	11,835,296
Parliamentary appropriation for operations	2,310,631	2,209,128
Balance at end of the year	10,909,717	9,626,168

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Funds provided		
Parliamentary appropriation		
Operations	2,310,631	2,209,128
Capital expenditures	30,445	255,976
Proceeds from disposal of fixed assets	282	25,864
	2,341,358	2,490,968
Funds applied		
Operations		
Loss for the year	3,594,180	6,102,642
Items not requiring an outlay of funds		
Depreciation	(1,115,733)	(1,093,227)
Interest on loans (Note 3)		(2,812,673)
Increase in provision for employee termination benefits	(167,816)	(47,614)
Gain on disposal of fixed assets		17,583
	2,310,631	2,166,711
Acquisition of fixed assets	30,445	255,976
	2,341,076	2,422,687
Increase in working capital	282	68,281
Working capital at beginning of the year	3,191,237	3,122,956
Working capital at end of the year	3,191,519	3,191,237

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1982

1. Authority and activities

The Jacques Cartier and Champlain Bridges Incorporated was established under the Canada Business Corporations Act on November 3, 1978 and is a wholly owned subsidiary of The St. Lawrence Seaway Authority, which is a federal Crown corporation named in Schedule D of the Financial Administration Act.

The Corporation is dependent on the Government of Canada for its financing.

Effective December 1, 1978 the Corporation assumed the responsibility for the operation and maintenance of the Jacques Cartier and Champlain Bridges and of the section of the Bonaventure Autoroute owned by the Government of Canada.

2. Significant accounting policies

(a) Fixed assets

Fixed assets acquired from the National Harbours Board on December 1, 1978 were recorded at their then book values. Fixed assets acquired subsequently by the Corporation are recorded at cost.

Fixed assets are depreciated using the straight-line method, at the following rates:

Jacques Cartier Bridge	4.8%
Champlain Bridge	2.5%
Vehicles and equipment	10% and 20.0%

The section of the Bonaventure Autoroute for which the Corporation is responsible is fully depreciated.

(b) Parliamentary appropriation

The parliamentary appropriation is recorded on a cash basis.

The parliamentary appropriation covering the operating deficit is reflected in the statement of deficit. In this regard, operating expenditures do not include depreciation, interest on loans or any provision for accrued employee termination benefits.

The parliamentary appropriation for financing fixed assets is credited to the capital deficiency.

Any parliamentary appropriation received by the Corporation in excess of its needs is recorded on the balance sheet as an amount due to Canada. It is the Corporation's policy to reimburse this amount in the following fiscal year.

(c) Deferred revenues

The value of unredeemed toll tokens and tickets as well as rental revenues collected in advance are recorded on the balance sheet as deferred revenues.

(d) Employee termination benefits

On termination of employment, employees of the Corporation are entitled to certain benefits provided under their collective agreements and their conditions of employment. The cost of these benefits is expensed in the year in which they are earned by the employees.

THE JACQUES CARTIER AND CHAMPLAIN BRIDGES INCORPORATED—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1982—*Concluded*

(e) Pension plan

Employees of the Corporation participate in the superannuation plan administered by the Government of Canada. The employees and the Corporation contribute equally to the cost of the plan. This contribution represents the total liability of the Corporation. Contributions in respect of current service are expensed in the year in which services are rendered. Those in respect of admissible past service are expensed when paid; the terms of payment are set by the applicable purchase conditions, generally over the number of years of service remaining prior to retirement.

(f) Expenses

Expenses incurred with respect to the section of the Bonaventure Autoroute for which the Corporation is responsible are included with those for the Champlain Bridge.

(g) Income taxes

As a federal Crown corporation, the Corporation is not subject to provincial income tax. The corporation has incurred substantial losses in prior years which can be carried forward and applied against taxable income of future years.

3. Loans from Canada

	$
Certificate of indebtedness	59,752,867
Advance	6,489,605
	66,242,472

During the year and retroactive to April 1, 1981, certificates of indebtedness totalling $59,752,867, bearing interest from 2¾% to 6⅞%, were cancelled and replaced by a single non-interest bearing certificate. This certificate, similarly to preceding ones, does not carry a definite due date nor terms of repayment.

The advance of $6,489,605, which bears no interest, was recorded in the accounts of Canada as a non-active loan and was charged to the accumulated deficit of Canada when it was made.

4. Interest in arrears

The accumulated simple interest of $44,513,580 as at March 31, 1982 is recorded on the balance sheet as long-term since the Corporation does not foresee paying it, in whole or in part, during the next fiscal year. This interest of $44,513,580 does not include the interest since 1962 on a 2¾% loan in the amount of $7,576,000 issued with respect to the Jacques Cartier Bridge. The recording of this interest was discontinued when the tolls on this bridge were abolished.

5. Capital deficiency

When the Corporation took possession of its fixed assets on December 1, 1978, it also assumed the related debt obligations. The excess of such debts over the book value of the assets acquired at that date amounted to $72,448,371 and was recorded as a capital deficiency. The capital deficiency was reduced during the year by $30,445 ($255,976 in 1981) representing the parliamentary appropriation covering the acquisition of fixed assets.

6. Related party transactions

The Corporation has agreed to maintain the portion of the Mercier Bridge belonging to, and for the account of, its parent company. Expenses so incurred during the year in the amount of $742,806 ($331,651 in 1981) have been recovered and thus had no effect on operating results.

During the year, the Corporation received administrative services from its parent company totalling $500,000 ($400,000 in 1981). As at March 31, 1982 an unpaid balance of $49,521 (nil as at March 31, 1981) is shown as a current liability.

During the year, the Corporation received operating services from the National Harbours Board totalling $1,827,129 ($1,481,331 in 1981). As at March 31, 1982 an unpaid balance of $174,278 ($213,572 as at March 31, 1981) is included with accounts payable.

7. Commitments

The Corporation has entered into long-term leases for the rental of facilities and equipment used in the course of its activities. The aggregate minimum annual rentals which will be paid in the following years are:

	$
1982-83	240,330
1983-84	79,690
1984-85	6,120

The Corporation's other contractual obligations as at March 31, 1982 amount to approximately $2,800,000.

8. Contingencies

Claims and lawsuits arising in the normal course of operations have been brought against the Corporation. Management is of the opinion that the resolution of these actions will not result in any material loss to the Corporation. No provision has been recorded in the accounts.

LAURENTIAN PILOTAGE AUTHORITY

(Established under the Pilotage Act)

AUDITOR'S REPORT

THE HONOURABLE JEAN-LUC PEPIN, P.C., M.P.
MINISTER OF TRANSPORT

I have examined the balance sheet of Laurentian Pilotage Authority as at December 31, 1981 and the statements of operations, retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements give a true and fair view of the financial position of the Authority as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Authority, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

KENNETH M. DYE
Auditor General of Canada

Ottawa, Ontario
February 11, 1982

BALANCE SHEET AS AT DECEMBER 31, 1981

ASSETS	1981	1980
	$	$
Current		
Cash and term deposits	507,273	786,146
Accounts receivable	3,444,221	3,207,149
	3,951,494	3,993,295
Fixed (Note 3)		
Land, buildings, pilot boats and other facilities	1,569,760	911,552
Less: accumulated depreciation	403,367	284,538
	1,166,393	627,014
	5,117,887	4,620,309

LIABILITIES	1981	1980
	$	$
Current		
Accounts payable and accrued liabilities	3,599,645	3,551,176
Accrued employee termination benefits	466,000	401,000
	4,065,645	3,952,176
EQUITY OF CANADA		
Contributed capital	278,128	278,128
Retained earnings		
Appropriated as a reserve for the renewal and the acquisition of major fixed assets	774,114	390,005
Unappropriated		
	774,114	390,005
	1,052,242	668,133
	5,117,887	4,620,309

On behalf of the Authority:

PAUL BAILLY
Chairman

YVON MATTE
Member

LAURENTIAN PILOTAGE AUTHORITY—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	$	$
Revenues		
Pilotage charges	22,637,784	20,192,231
Interest and other revenues	136,668	153,851
	22,774,452	20,346,082
Expenses		
Pilots' fees, salaries and benefits	18,246,210	16,305,978
Operating costs of pilot boats	2,230,598	1,996,842
Staff salaries and benefits	1,452,106	1,356,536
Professional services and members' allowances	203,990	269,455
Rentals	162,364	143,663
Communications	130,456	110,319
Travel	61,615	55,022
Utilities, material and supplies	59,993	47,784
Maintenance	31,040	54,546
Bad debts	18,673	14,950
Other	106,662	80,253
	22,703,707	20,435,348
Income (loss) before extraordinary item	70,745	(89,266)
Extraordinary item (Note 5)	177,475	
Net income (loss) for the year	248,220	(89,266)

STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	$	$
Appropriated as a reserve for renewal and the acquisition of major fixed assets		
Balance at beginning of the year	390,005	370,000
Appropriation for the year	384,109	20,005
Balance at end of the year	774,114	390,005
Unappropriated		
Balance at beginning of the year		3,650
Services provided without charge by a government departments	135,889	105,621
	135,889	109,271
Net income (loss) for the year	248,220	(89,266)
	384,109	20,005
Appropriated as a reserve for renewal and the acquisition of major fixed assets	(384,109)	(20,005)
Balance at end of the year		
	774,114	390,005

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	$	$
Funds provided		
Operations		
Income (loss) before extraordinary item	70,745	(89,266)
Items not requiring an outlay of funds		
Services provided without charge by government departments	135,889	105,621
Depreciation	134,493	69,092
Increase in accrued employee termination benefits	65,000	45,000
	406,127	130,447
Extraordinary item (Note 5)	177,475	
Proceeds from disposal of fixed assets	11,000	
	594,602	130,447
Funds applied		
Acquisition of fixed assets	684,872	310,484
Decrease in working capital	(90,270)	(180,037)
Working capital at the beginning of the year	442,119	622,156
Working capital at the end of the year	351,849	442,119

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1981

1. Nature of activities

The Laurentian Pilotage Authority was established on February 1, 1972 under the Pilotage Act. Its objectives are to establish, operate, maintain and administer, in the interest of navigational safety, an effective pilotage service within certain designated Canadian waters in and around the Province of Quebec. The Act provides that pilotage tariffs shall be fair and reasonable and assure a revenue which, together with any revenue from other sources, is sufficient to permit the Authority to operate on a self-sustaining basis.

2. Significant accounting policies

(a) Fixed assets

Fixed assets obtained from Canada when the Authority was established were recorded at the then assigned values. Purchases of fixed assets acquired subsequently by the Authority are recorded at cost.

Fixed assets are depreciated using the straight-line method, at rates based on the estimated useful lives of the assets.

(b) Contributed capital

The values assigned to the fixed assets obtained from Canada when the Authority was established and the cost of fixed assets financed from parliamentary appropriations are recorded as contributed capital.

(c) Services provided without charge

Estimated amounts for the rental of office space and other services provided without charge by government departments are included in expenses with an offset to retained earnings.

LAURENTIAN PILOTAGE AUTHORITY—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1981—*Concluded*

(d) Pension plan

Employees of the Authority participate in the Superannuation Plan administered by the Government of Canada. The employees and the Authority contribute equally to the cost of the Plan. This contribution represents the total liability of the Authority. Contributions in respect of current service and of admissible past service are expensed when paid. The terms of payment of past service contributions are set by the applicable purchase conditions, generally over the number of years of service remaining prior to retirement.

(e) Employee termination benefits

On termination of employment, employees of the Authority are entitled to certain benefits provided for under their collective agreements and their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

(f) Income tax

The Authority is not subject to any income taxes.

3. Fixed assets

(a) Details of fixed assets are as follows:

	1981			1980
	Cost	Accumulated Depreciation	Net	Net
	$	$	$	$
Land	9,300		9,300	9,300
Buildings	23,622	16,631	6,991	8,668
Pilot boats	891,455	207,874	683,581	314,762
Furniture and fixtures	52,872	39,706	13,166	21,766
Communications equipment	153,819	62,142	91,677	76,851
Boarding facilities	191,864	44,722	147,142	161,299
Wharf improvements	169,033	8,452	160,581	
Automobiles	43,039	12,912	30,127	2,484
Leasehold improvements	34,756	10,928	23,828	31,884
	1,569,760	403,367	1,166,393	627,014

Depreciation for the year is $134,493 (1980—$69,092)

(b) The estimated useful lives for the principal categories of fixed assets for the purposes of calculating depreciation are as follows:

Buildings	20 years
Pilot boats	10 and 20 years
Furniture and fixtures	10 years
Communications equipment	10 years
Boarding facilities	10 and 20 years
Wharf improvements	20 years
Automobiles	4 years
Leasehold improvements	duration of the leases

4. Pension plan

The estimated unrecorded liability for employees' past services is $137,000 at December 31, 1981 ($152,000 at December 31, 1980).

5. Extraordinary item

During the year, the Authority received $177,475, net of certain expenditures,in final settlement of a claim for costs incurred and reward to rescue a ship in distress in 1978.

LOTO CANADA INC.

(Incorporated under the Canada Business Corporations Act)

THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1982
WERE NOT AVAILABLE AT DATE OF PRINTING

LOTO CANADA INC.

(Incorporated under the Canada Business Corporations Act)

AUDITOR'S REPORT

THE HONOURABLE GERALD A. REGAN, P.C., Q.C., M.P.
SECRETARY OF STATE OF CANADA AND MINISTER
RESPONSIBLE FOR FITNESS AND AMATEUR SPORT

I have examined the balance sheet of Loto Canada Inc. as at March 31, 1981 and the statement of income for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1981 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Corporation and the financial statements are in agreement therewith. The transactions that have come under my notice have been within the statutory powers of the Corporation except for the sports pool scheme research and development payments described in Note 2 to the financial statements. In my opinion, although recovered by the Corporation, these payments were not specifically authorized by the Corporation's Articles of Incorporation, which restrict the business that the Corporation may conduct and manage, and were consequently contrary to the provisions of the Canada Business Corporations Act.

KENNETH M. DYE
Auditor General of Canada

Ottawa, Ontario
June 1, 1982

BALANCE SHEET AS AT MARCH 31, 1981

ASSETS	1981	1980	LIABILITIES	1981	1980
	$	$		$	$
Cash and deposit certificates	11,143,220	18,670,601	Accounts payable and accrued liabilities	39,705	2,698,964
Accounts receivable	1,767	56,412	Unclaimed prizes (Note 1)		3,129,869
Due from Canada (Note 2)	143,000		Due to Receiver General for Canada (Note 3)	11,252,889	12,898,179
Prepaid expense	4,608			11,292,594	18,727,012
			SHAREHOLDER'S EQUITY		
			Capital stock—1 common share authorized, issued and fully paid	1	1
	11,292,595	18,727,013		11,292,595	18,727,013

Approved by the Board of Directors:

DOROTHY PRATT
Director

ANDRE GAUTHIER
Director

DANIELLE DESBIENS
Director

G. KRITSCH
Director

LOTO CANADA INC.—*Concluded*

STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 1981

	1981	1980
	$	$
Lottery ticket sales net of prizes (Note 1)		55,840,726
Interest income	1,855,833	5,527,003
	1,855,833	61,367,729
Selling and administration expenses (Schedule)	676,197	25,420,314
Income before extraordinary items	1,179,636	35,947,415
Extraordinary items		
Termination of lottery operations (Note 1)	3,065,942	5,250,378
Recovery of prior year's doubtful accounts		5,125,350
	3,065,942	10,375,728
Net income for the year (Note 3)	4,245,578	46,323,143

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1981

1. Termination of lottery operations

Loto Canada Inc. was established as a Crown Corporation under the provisions of Appropriation Act No. 4, 1976 and was incorporated under the provisions of the Canada Business Corporations Act on June 7, 1976. The Corporation's objective was to conduct and manage a national lottery in accordance with the National Lottery Regulations as authorized by the Criminal Code.

In August 1979, federal and provincial government representatives signed a document whereby Loto Canada Inc. would withdraw from the sale of lottery tickets effective December 31, 1979 and the Government of Canada would cause the Corporation to be wound up after that date as quickly as legal, financial and administrative requirements permit. The Shareholder of the Corporation directed the Board of Directors to commence the orderly windup of the operations and, therefore, the lottery operations were terminated effective December 31, 1979.

The resulting termination costs for employees, premises and other claims amounted to $1,756,933. Furniture and equipment were disposed of in accordance with the provisions of the Surplus Crown Assets Act. Also with the termination of the lottery operations, the "provision for prizes—future draws" in the amount of $7,007,311 was no longer necessary. The net effect amounting to $5,250,378 was shown as extraordinary income in 1980.

In accordance with the National Lottery Regulations, the right to claim prizes expired on December 31, 1980, therefore, unclaimed prizes as of that date in the amount of $3,065,942 are shown as extraordinary income in 1981.

2. Research and development

During the year, the Corporation financed research on gaming concepts including research and development of a sports pool scheme. This financing continued subsequent to the year end and in August 1981 Cabinet decided that this sports pool scheme would be operated by a new federal agency. In September 1981, the Corporation decided that all payments made on the sports pool research and development scheme should be fully recovered from the Government of Canada. Payments made for research and development of the sports pool scheme amounting to $1,200,000 up to June 1, 1982, including $143,000 up to March 31, 1981, have been fully recovered from the Government of Canada subsequent to the year end.

Legal opinions were obtained with respect to the statutory powers of the Corporation to finance the research and development of a sports pool scheme. While the legal opinions obtained differ, the Corporation takes the position that the financing of this research and development was a business decision within the general powers of the Corporation and in support of the intention of the Federal Government.

3. Due to Receiver General for Canada

	1981	1980
	$	$
Balance (due from) beginning of the year	12,898,179	(2,108,543)
Net income for the year	4,245,578	46,323,143
	17,143,757	44,214,600
Funds remitted during the year	(5,890,868)	(31,316,421)
Balance end of the year	11,252,889	12,898,179

4. Related party transactions

A certain part of the research and development activities related to the sports pool scheme described in Note 2 in the amount of $127,000 up to March 31, 1981 was conducted by a firm owned and operated by a member of management.

Transactions with the Government of Canada are disclosed in Notes 2 and 3.

5. Contingent liability

In 1980, certain ticket wholesalers who were operating in provinces other than Quebec commenced legal proceedings against the Corporation for alleged damages in the amount of $4,175,000. This litigation will continue to be contested and its outcome is unknown at this time.

6. Subsequent event

In August 1981, the Corporation obtained a discontinuance of claims for alleged damages in the amount of $5,900,000. These claims were filed against the Corporation in 1980 by certain ticket wholesalers who were operating in the Province of Quebec.

7. Comparative figures

Certain comparative figures for 1980 have been reclassified to conform with the 1981 presentation.

SCHEDULE OF SELLING AND ADMINISTRATION EXPENSES
FOR THE YEAR ENDED MARCH 31, 1981

	1981	1980
	$	$
Advertising, printing and sales promotion		19,675,184
Salaries and employee benefits	154,990	2,899,483
Travel expense	104,318	714,004
Office supplies and equipment rental	60,721	627,546
Professional fees	136,055	515,983
Building rental and maintenance	99,287	468,899
Marketing research and other expenses	68,155	309,240
Telephone and telegraph	43,421	159,491
Directors fees	9,250	31,075
Furniture and equipment		19,409
	676,197	25,420,314

NATIONAL BATTLEFIELDS COMMISSION

(Established under the Act respecting the National Battlefields at Quebec)

AUDITOR'S REPORT

THE HONOURABLE JOHN ROBERTS, P.C., M.P.
MINISTER OF THE ENVIRONMENT

I have examined the balance sheet of the National Battlefields Commission as at March 31, 1982 and the statements of operations, equity of Canada and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements give a true and fair view of the financial position of the Commission as at March 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with accounting policies set out in Note 2, applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Commission, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

KENNETH M. DYE
Auditor General of Canada

Ottawa, Ontario
April 29, 1982

BALANCE SHEET AS AT MARCH 31, 1982

GENERAL FUND

ASSETS	1982	1981
	$	$
Current		
Cash	120,148	59,604
Term deposits and accrued interest	24,326	
Accounts receivable	13,110	1,513
Supplies and small tools	36,979	36,580
	194,563	97,697
Fixed assets (Note 3)	2,529,349	2,484,346
	2,723,912	2,582,043

LIABILITIES	1982	1981
	$	$
Current		
Accounts payable	92,463	41,137
Accrued employee termination benefits	66,394	63,429
EQUITY OF CANADA		
Proprietary interest	2,549,972	2,459,773
Master development plan	15,083	17,704
	2,565,055	2,477,477
	2,723,912	2,582,043

SPECIAL LAND PURCHASE FUND

ASSETS	1982	1981
Cash	60,308	51,259
Investment in bonds of Canada, (market value: 1982—$23,320; 1981—$20,935)	26,500	26,500
	86,808	77,759

CAPITAL	1982	1981
Balance at beginning of the year	77,759	70,719
Interest on investments	9,049	7,040
Balance at end of the year	86,808	77,759

Approved by Management:

LÉON TASCHEREAU
Secretary

Approved on behalf of the Commission:

FERNAND TREMBLAY
President

NATIONAL BATTLEFIELDS COMMISSION—*Continued*

GENERAL FUND
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Expenses		
Administration		
Salaries and employee benefits	93,185	74,566
Professional services	63,248	39,691
Other	27,756	31,697
	184,189	145,954
Operations		
Salaries and employee benefits	742,321	648,047
Security services	187,473	158,979
Repairs and maintenance of roads, driveways, buildings and equipment	77,720	75,697
Heating, gas and oil	43,025	32,708
Electricity	25,909	23,525
Bus rentals	24,150	25,836
Supplies and small tools	23,605	18,700
Publicity	12,793	13,819
Snow removal	11,800	11,973
Tree maintenance	8,151	15,601
Losses on disposal of fixed assets	5,864	10,305
Miscellaneous	511	4,384
	1,163,322	1,039,574
	1,347,511	1,185,528
Revenues		
Interest	23,749	6,449
Miscellaneous	961	8,403
	24,710	14,852
Cost of operations for the year	1,322,801	1,170,676

GENERAL FUND
STATEMENT OF EQUITY OF CANADA
FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Proprietary interest		
Balance at beginning of the year	2,459,773	2,436,449
Parliamentary appropriation	1,413,000	1,194,000
	3,872,773	3,630,449
Cost of operations for the year	1,322,801	1,170,676
Balance at end of the year	2,549,972	2,459,773
Master development plan		
Balance at beginning of the year	17,704	21,647
Interest income	2,379	3,297
	20,083	24,944
Expenses	5,000	7,240
Balance at end of the year	15,083	17,704

GENERAL FUND
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Funds provided		
Parliamentary appropriation	1,413,000	1,194,000
Proceeds from disposal of fixed assets	1,403	2,200
	1,414,403	1,196,200
Funds applied		
Operations		
Cost of operations for the year	1,322,801	1,170,676
Items not requiring an outlay of funds		
Decrease (increase) in accrued employee termination benefits	(2,965)	2,123
Loss on disposal of fixed assets	(5,864)	(10,305)
	1,313,972	1,162,494
Master development plan	2,621	3,943
Acquisition of fixed assets	52,270	67,283
	1,368,863	1,233,720
Increase (decrease) in working capital	45,540	(37,520)
Working capital at beginning of the year	56,560	94,080
Working capital at end of the year	102,100	56,560

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1982

1. Authority and activities

The Commission was established in 1908 under the Act respecting The National Battlefields at Quebec for the purpose of acquiring, preserving and developing an historic battlefields park at Quebec.

The Commission is a Crown corporation included in Schedule C of the Financial Administration Act.

2. Significant accounting policies

(a) Supplies and small tools

Supplies and small tools are valued at the lower of average cost and replacement value.

(b) Fixed assets

Fixed assets are financed by parliamentary appropriations and are accounted for at cost. No depreciation is recorded in the accounts.

(c) Parliamentary appropriation

The parliamentary appropriation is credited to the Equity of Canada in the year to which it applies.

(d) Employee termination benefits

On termination of employment, employees of the Commission are entitled to certain benefits provided for under their collective agreement and their conditions of employment. The cost of these benefits is expensed in the year in which they are earned.

NATIONAL BATTLEFIELDS COMMISSION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1982—*Concluded*

(e) Pension plan

The employees of the Commission participate in the superannuation plan administered by the Government of Canada. The employees and the Commission contribute equally to the cost of the plan. This contribution represents the total liability of the Commission. Contributions in respect of current service are expensed during the year in which services are rendered. With respect to admissible past service, contributons are expensed when paid; the terms of payment are set by the applicable purchase conditions.

(f) Special Land Purchase Fund

Funds have been received from provincial and municipal government and other administrations for the specific purpose of acquiring certain lands. These funds, together with revenue earned from the investment of such funds, are recorded in a special fund. Investments held are carried at cost; interest is recorded on a cash basis.

3. Fixed assets

Details of fixed assets are as follows:

	1982	1981
	$	$
Land	724,710	724,710
Buildings	206,481	190,422
Roadways, driveways and landscaping	883,086	873,096
Equipment	715,072	696,118
	2,529,349	2,484,346

4. Contingencies

(a) Pension plan

The right for seasonal employees to participate in the superannuation plan administered by the Government of Canada has been recognized. However, the terms governing the contributions from the employees and the Commission with respect to past services have not yet been determined. As at March 31, 1982, the Commission estimates its liability at $35,000 ($50,000 as at March 31, 1981) should all employees decide to purchase their admissible past services. No liability has been recorded in the accounts.

(b) Real estate taxes

The cities of Quebec and Sillery have applied to the Commission for grants totalling $2,494,000 in lieu of real estate taxes for the calendar years 1980, 1981 and 1982. The Commission is of the opinion that Parliament will provide a special appropriation in the event that a decision is made to accede to these applications; therefore, no liability has been recorded in the accounts.

NATIONAL CAPITAL COMMISSION

(Established by the National Capital Act)

AUDITOR'S REPORT

THE HONOURABLE PAUL COSGROVE, P.C., M.P.
MINISTER OF PUBLIC WORKS

I have examined the balance sheet of the National Capital Commission as at March 31, 1982 and the statements of operations, proprietor's equity and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements give a true and fair view of the financial position of the Commission as at March 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies set out in Note 2 to the financial statements, applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Commission, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers except that funds in the amount of $2.9 million in 1981-82 ($2.6 million in 1980-81) were used to repay loans from Canada rather than being used either for operating expenditures authorized by Parliament, or returned to the Consolidated Revenue Fund in accordance with the Appropriation Acts and Section 30 of the Financial Administration Act.

KENNETH M. DYE
Auditor General of Canada

Ottawa, Ontario
June 10, 1982

BALANCE SHEET AS AT MARCH 31, 1982

ASSETS	1982	1981
	$	$
Current		
Cash	37,943,476	28,179,425
Accounts receivable		
Federal government departments and agencies	364,597	268,885
Tenants and others	1,034,987	617,385
Operating supplies, small tools and nursery stock	765,179	886,762
Prepaid expenses	728,289	438,811
	40,836,528	30,391,268
Amounts recoverable from provincial and municipal governments	2,897,773	2,901,070
Capital Assets		
Real property (Note 3)	340,014,168	328,663,027
Equipment, furniture and vehicles	8,167,510	7,152,613
	348,181,678	335,815,640
	391,915,979	369,107,978

LIABILITIES	1982	1981
	$	$
Current		
Accounts payable and accrued liabilities	30,739,815	22,040,850
Unsettled expropriation of property, estimated	2,799,793	3,516,896
Holdbacks and deposits from contractors and others	757,052	2,589,413
Due to Canada		3,214,526
	34,296,660	31,361,685
Long-term		
Loans from Canada (Note 4)	40,873,969	43,619,097
Provision for employee termination benefits, net of current portion	3,390,426	2,995,854
	44,264,395	46,614,951
EQUITY OF CANADA		
Proprietor's Equity	313,354,924	291,131,342
	391,915,979	369,107,978

Approved by the Commission:

C. M. DRURY
Chairman

A. G. MARTIN
Commissioner

NATIONAL CAPITAL COMMISSION—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1982

	Operating	Capital	Grants and Contributions	Total	
				1982	1981
	$	$	$	$	$
Revenues					
Parliamentary Appropriations	38,829,449	50,290,000	8,654,921	97,774,370	82,864,088
Property revenues	5,367,207			5,367,207	5,490,100
Interest income	1,615,516	2,089,796		3,705,312	1,425,014
Miscellaneous	858,095			858,095	790,842
	7,840,818	2,089,796		9,930,614	7,705,956
	46,670,267	52,379,796	8,654,921	107,704,984	90,570,044
Expenditures (Schedule)					
Land Development	13,931,052	7,077,921	6,108,207	27,117,180	23,239,702
Recreation and Culture	17,843,116	6,058,596	73,255	23,974,967	19,432,021
Transportation		23,908,788		23,908,788	12,242,205
Administration and Finance	11,229,888	1,767,387	202,077	13,199,352	12,056,294
Services and Utilities		8,235,572		8,235,572	12,333,731
Policy Development	1,760,781	172,310		1,933,091	1,251,860
	44,764,837	47,220,574	6,383,539	98,368,950	80,555,813
Excess of Revenues over Expenditures	1,905,430	5,159,222	2,271,382	9,336,034	10,014,231

STATEMENT OF PROPRIETOR'S EQUITY
FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Unexpended Revenues		
Balance at Beginning of the Year		
Operating	2,936,048	2,603,381
National Capital Fund		3,346,150
	2,936,048	5,949,531
Excess of Revenues over Expenditures	9,336,034	10,014,231
Items not currently requiring Parliamentary Appropriations	830,655	2,701,193
Repayment of loans	(2,936,048)	(2,603,381)
Deletion, pursuant to Adjustment of Accounts Act, of Balance in the Accounts of Canada,		
National Capital Fund		(9,911,000)
Balance transferred—Due to Canada		(3,214,526)
Balance at End of the Year	10,166,689	2,936,048
Proprietary Interest		
Balance at Beginning of the Year		
As previously reported	285,865,784	223,754,721
Prior year's adjustment (Note 7)	2,329,510	2,329,510
As restated	288,195,294	226,084,231
Acquisition of capital assets	13,217,491	9,598,317
Loans from Canada and accrued interest deleted pursuant to Adjustment of Accounts Act		52,753,363
Repayment of loans from Canada	2,936,048	2,603,381
Items not currently requiring Parliamentary Appropriations	(830,655)	(2,701,193)
Loss on disposal of equipment, furniture and vehicles	(294,316)	(142,805)
Loss on disposal of real property, net	(35,627)	
Balance at End of the Year	303,188,235	288,195,294
Proprietor's Equity	313,354,924	291,131,342

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Funds Provided		
Parliamentary Appropriations	97,774,370	82,864,088
Revenues	9,930,614	7,540,301
Loans from Canada	200,000	
Proceeds on disposal of real property financed through		
Capital Appropriations	185,727	165,655
Loans from Canada	12,024	369,519
Decrease in amounts recoverable	3,297	81,479
Deletion, pursuant to Adjustment of Accounts Act, of		
Accrued interest		14,560,591
Loans from Canada		38,192,772
	108,106,032	143,774,405
Funds Applied		
Expenditures	98,368,950	80,555,813
Less: items not requiring funds	394,882	528,174
	97,974,068	80,027,639
Acquisition of real property financed by loans from Canada	393,654	27,742
Repayment of loans from Canada	2,945,128	2,964,408
Increase (decrease) in estimate for unsettled expropriations	(717,103)	465,051
Deletion, pursuant to Adjustment of Accounts Act, of		
Loans from Canada		38,192,772
Balance in the Accounts of Canada, National Capital Fund		9,911,000
Balance transferred—Due to Canada		3,214,526
	100,595,747	134,803,138
Increase in Working Capital	7,510,285	8,971,267
Working Capital Deficiency at Beginning of the Year	(970,417)	(9,941,684)
Working Capital (Deficiency) at End of the Year	6,539,868	(970,417)

NATIONAL CAPITAL COMMISSION—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1982

1. Authority and Objectives

The National Capital Commission was established by the National Capital Act, 1958 and is an Agency Corporation under the Financial Administration Act. The objects and purposes of the Commission are to prepare plans for and assist in the development, conservation and improvement of the National Capital Region in order that the nature and character of the seat of the Government of Canada may be in accordance with its national significance.

2. Significant Accounting Policies

(a) Basis of Accounting

Revenues and expenditures of the Commission are recorded on an accrual basis.

(b) Capital Assets

(i) Real Property

Acquisitions of real property are charged to the capital appropriation when incurred and also recorded as capital assets, at cost. The cost of real property does not include interest on loans to finance the acquisitions thereof. Only those expenditures producing Commission-held real property are capitalized; studies and contributions to the works of other authorities are not capitalized.

Gains or losses on disposal of real property are reflected in the Statement of Proprietor's Equity and the assets are credited with the cost of the property disposed.

Prior to March 31, 1974 full proceeds from disposal of part of the property were credited to the assets account. Properties acquired prior to March 31, 1974, and retained by the Commission, have been restated at historical cost and the prior years' adjustment is presented in the Statement of Proprietor's Equity.

(ii) Equipment, Furniture and Vehicles

Equipment, furniture and vehicles are recorded in the accounts at cost. Losses arising from destruction or disposal are reflected in the Statement of Proprietor's Equity.

(iii) Depreciation

Depreciation on capital assets is not recorded in the accounts.

(c) Operating Supplies, Small Tools and Nursery Stock

Operating supplies and small tools are carried at most recent cost. Nursery stock is valued at estimated replacement cost less an allowance for overhead, balling and packaging expenses.

(d) Financing

The Commission's revenues consist of appropriations from Parliament and revenue from its operations. The excess of revenues over expenditures is retained by the Commission to be used in accordance with the purposes approved by Parliament.

(e) Pension Plan

The Commission's employees participate in the Public Service Superannuation Plan, which is administered by the Government of Canada. Contributions to the plan are made by both employees and the Commission, and are recorded on a current basis.

(f) Employee Termination Benefits

Severance pay generally accrues to employees over their service period, and is payable on their separation or retirement. Provision for these benefits is recorded as a liability.

3. Capital Assets—Real Property

The following are the major categories of real property at March 31:

	1982	1981
	$	$
Greenbelt	48,499,824	47,443,011
Parkways	64,338,978	62,170,671
Parks	34,007,292	31,906,441
Bridges and approaches	24,629,694	24,311,601
Historic sites	12,303,776	12,089,483
Recreational facilities	4,723,728	3,926,131
Rental and agency properties	142,994,618	138,997,998
Unsettled expropriations, estimated	2,799,793	3,516,896
Administration and service buildings	8,855,464	7,722,808
	343,153,167	332,085,040
Less: provision for transfers at less than cost	3,138,999	3,422,013
	340,014,168	328,663,027

The provision for transfers at less than cost pertains to property to be transferred in accordance with the agreements detailed below:

(a) agreements with the railway companies resulting from the relocation of the Ottawa area railway facilities;

(b) agreement with the Province of Quebec for lands to be given free of charge for approaches to the Macdonald-Cartier Bridge;

(c) agreement with the Province of Quebec for the transfer of lands for $1 used as a right-of-way for Highway 550; and

(d) agreement with the Province of Ontario for the transfer of lands for $1 used as a right-of-way for Highway 417.

4. Loans from Canada

Further to Note 2(b)(i), the Commission also purchases real property out of funds advanced from the Consolidated Revenue Fund of Canada by way of loans as authorized by Parliament, upon terms and conditions approved by the Governor-in-Council.

On disposal of properties financed by loans, the loan terms require that, for non-greenbelt properties, the proceeds be used to repay relevant loans in full and any excess proceeds to repay other outstanding loans; for greenbelt properties, the excess of proceeds over acquisition cost be used to repay outstanding loans.

Interest on loans from Canada is payable semi-annually at rates varying from 4.75% to 15.625% and averaging 7.2%. No dates for repayment of principal are specified except that loans and interest are required to be repaid at the time of disposal.

5. Commitments

(a) Subject to being provided with future funds by Parliament, the Commission is committed to make contributions to other levels of government:

(i) to the Province of Quebec one-half of the cost of a road network within the National Capital Region. The Commission's commitment is $150 million of which $93.9 million has been expended. Expenditures of $2.9 million for related works are recoverable from provincial and municipal governments;

NATIONAL CAPITAL COMMISSION—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1982—*Concluded*

(ii) to the Province of Quebec and the Outaouais Regional Community, one-third of the cost of a regional sewage disposal system. The Commission's commitment is $52.4 million of which $45.0 million has been expended;

(iii) to the Regional Municipality of Ottawa-Carleton and the City of Ottawa, one-half of the cost of the development in the Rideau Street area. The Commission's commitment is $10.6 million of which $3.2 million has been expended; and

(iv) to the Province of Ontario and the Regional Municipality of Ottawa-Carleton, one-third of the cost of a regional sewage system. The Commission has expended $15.5 million and has committed a further $1.9 million.

(b) The Commission has entered into agreements for computing services and leases of equipment and office space. Annual payments under these agreements are approximately as follows:

	$
1982-83	1,030,125
1983-84	1,052,190
1984-85	1,032,643
1985-86	228,836
	3,343,794

6. Contingencies

(a) Litigations

Legal actions have been taken against the Commission totalling approximately $19,000,000. The larger claims being:

(i) $18,000,000 for alleged wrongful termination of certain agreements;

(ii) $350,000 for alleged damages resulting from the flow of water from contiguous properties;

(iii) $250,000 as a result of a mishap allegedly occuring on Commission property; and

(iv) $187,000 for water damages to a building and contents resulting from the flow of water from Commission property onto contiguous property.

No provision for these contingencies has been made in the accounts.

(b) Agreement with a Province

In 1961 the Commission entered into an agreement whereby the Province of Ontario established and maintains 6,557 acres of forest. When the agreement expires in 2011, or is terminated, the Commission will reimburse the Province for the excess of expense over revenue, or the Province will pay the Commission the excess of revenue over expense. At March 31, 1981, expense exceeded revenue by $0.9 million, and is not reflected in the accounts of the Commission.

(c) Other

In connection with a shared cost agreement, the Commission has received from the party to the agreement a preliminary estimate that the party has performed $2,500,000 of work for which it has not yet billed the Commission.

The Commission has reviewed the preliminary estimate and based on the information available, has provided in its accounts $1,000,000. Any further provision is not determinable at this time.

7. Prior Years' Adjustment

In the statement of Proprietor's Equity, the opening balances of Proprietary Interest have been adjusted to reflect the restatement to historic cost of real property retained after sales made prior to March 31, 1974 (Note 2(b)(i)).

8. Comparative Figures

Certain figures for 1981 presented for comparative purposes have been restated to conform to the 1982 presentation.

SCHEDULE OF EXPENDITURES BY PARLIAMENTARY VOTE FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Operating		
Planning	1,760,781	1,270,010
Government grounds maintenance	6,394,348	5,156,197
Rental property operations	2,889,607	2,916,879
Other property operations	3,582,473	3,244,919
Administration, design and services	2,648,363	1,668,459
Loss due to fire		339,042
Parks and Parkways maintenance	5,882,819	5,094,005
Public activities	6,031,516	4,084,138
Gatineau Park	4,345,042	3,726,617
Management and general services	8,115,852	6,888,200
Interest on loans for the acquisition of properties	3,114,036	5,441,948
	44,764,837	39,830,414
Capital		
Property acquisition at cost	2,801,844	2,755,451
Construction	9,106,122	6,107,992
Equipment, furniture and vehicles	1,309,525	900,529
Surveys, studies and other	738,613	825,916
Road network, Québec	20,925,115	8,912,845
Sewage disposal, Québec	7,837,926	11,955,487
Regional transit	1,338,499	1,515,172
Rideau Centre	1,074,893	2,080,726
Pretoria Avenue bridge	1,166,187	514,308
Other	921,850	1,133,927
	47,220,574	36,702,353
Grants and Contributions		
Grants in lieu of taxes	6,108,207	3,913,234
Contributions to encourage bilingualism	73,255	109,812
Federal Project Stream	202,077	
	6,383,539	4,023,046
	98,368,950	80,555,813

NATIONAL HARBOURS BOARD

(Established by the National Harbours Board Act)

AUDITOR'S REPORT

THE HONOURABLE JEAN-LUC PEPIN, P.C., M.P.
MINISTER OF TRANSPORT

I have examined the balance sheet of the National Harbours Board as at December 31, 1981 and the statements of income and deficit, contributed capital and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements give a true and fair view of the financial position of the Board as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Board, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

KENNETH M. DYE
Auditor General of Canada

Ottawa, Ontario
February 18, 1982

BALANCE SHEET AS AT DECEMBER 31, 1981

(in thousands of dollars)

ASSETS	1981	1980
Current		
Cash	1,749	3,932
Investments (market value: 1981 — 120,286, 1980 — 167,150)	120,160	173,513
Accounts receivable	30,134	25,306
Materials and supplies	2,133	2,203
	154,176	204,954
Long-term		
Investments (market value: 66,142) (Note 2)	81,778	
Amounts receivable (Note 3)	6,848	7,155
Investment in Ridley Terminals Inc. (Note 4)	24	
	88,650	7,155
Fixed (Note 6)		
Land and harbour facilities	752,415	715,264
Less: accumulated depreciation	312,986	307,271
	439,429	407,993
	682,255	620,102

LIABILITIES	1981	1980
Current		
Accounts payable and accrued liabilities (Note 7)	34,948	29,478
Grants in lieu of municipal taxes	11,997	14,355
	46,945	43,833
Long-term		
Accrued employee benefits	8,451	7,863
Financing provided by province (Note 8)	20,793	21,599
Loans from Canada (Note 9)	499,750	500,339
	528,994	529,801
	575,939	573,634
EQUITY OF CANADA		
Contributed capital	349,361	349,361
Deficit	(243,045)	(302,893)
	106,316	46,468
	682,255	620,102

Approved by the Board:

P. A. H. FRANCHE
Chairman

JACQUES AUGER
Vice-Chairman

NATIONAL HARBOURS BOARD—*Continued*

STATEMENT OF INCOME AND DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1981

(in thousands of dollars)

	1981	1980
Revenue		
Harbour services	45,040	37,675
Grain services	29,038	25,993
Cargo handling services	58,426	47,261
Rentals	30,362	27,095
Shipping services and other	17,967	13,943
	180,833	151,967
Expenses		
Salaries and employee benefits	48,340	42,645
Purchased services	60,929	50,159
Energy and utilities	6,417	5,259
Depreciation	14,023	18,097
Grants in lieu of municipal taxes	9,864	9,068
Other	10,749	7,916
	150,322	133,144
Operating income	30,511	18,823
Other income (expense)		
Interest income	28,452	18,553
Interest expense	(2,204)	(20,564)
Gain (loss) on disposal of fixed assets	3,089	(2)
Gain on disposal of investments		550
	29,337	(1,463)
Net income	59,848	17,360
Deficit at beginning of the year	(302,893)	(320,253)
Deficit at end of the year	(243,045)	(302,893)

STATEMENT OF CONTRIBUTED CAPITAL FOR THE YEAR ENDED DECEMBER 31, 1981

(in thousands of dollars)

	1981	1980
Balance at beginning of the year	349,361	350,872
Adjustment to contributed capital (Note 10)		(1,511)
Balance at end of the year	349,361	349,361

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1981

(in thousands of dollars)

	1981	1980
Funds provided		
Operations		
Net income	59,848	17,360
Items not requiring an outlay of funds		
Loan interest deferred		20,564
Depreciation	14,023	18,097
(Gain) loss on disposal of fixed assets	(3,089)	2
Other	681	1,296
	71,463	57,319
Loans from Canada		22,756
Capital grants	17,613	4,761
Proceeds on disposal of fixed assets	4,973	202
Other	307	447
	94,356	85,485
Funds employed		
Additions to fixed assets	65,049	37,860
Reduction of debt to province	806	1,434
Loans from Canada currently payable	589	546
Reduction in contributed capital		1,511
Investment in Ridley Terminals Inc.	24	
	66,468	41,351
Government of Canada bonds presented as long-term investments	81,778	
	148,246	41,351
(Decrease) increase in working capital	(53,890)	44,134
Working capital at beginning of the year	161,121	116,987
Working capital at end of the year	107,231	161,121

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 1981

1. Significant accounting policies

(a) Financial statements

The financial statements of the National Harbours Board include the accounts of all the ports and other facilities under its administration.

(b) Investments

Funds are invested in Government of Canada direct and guaranteed securities which are shown at amortized cost, with premiums or discounts amortized over the periods to maturity.

(c) Fixed assets and depreciation

Assets are recorded at cost except for those transferred to the Board from the Crown which are recorded at values established at the time of transfer (appraisal or fair market value). Grants towards capital projects received from the Crown (which are not capital contributions) and third parties are credited directly against the cost of the related fixed assets.

Depreciation is calculated on the straight-line method for the full year, commencing with the year the asset becomes operational, using rates based on the estimated useful lives of the assets.

NATIONAL HARBOURS BOARD—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1981—*Continued*

(d) Pension costs

All permanent employees of the Board are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the plan are required from both the employees and the Board. These contributions represent the total liability of the Board and are recognized in the accounts on a current basis.

(e) Insurance

The Board assumes substantially all risks against fire and general perils, as well as for workmen's compensation claims. Any costs arising from these risks are recorded in the accounts in the year incurred.

(f) Grants in lieu of municipal taxes

Grants in lieu of municipal taxes are based on estimated municipal assessments adjusted in accordance with the Municipal Grants Act. Grants are paid after the amounts have been audited by the Municipal Grants Division of Public Works Canda. Any adjustments upon finalization are reflected in the accounts in the year of settlement.

(g) Employee benefits

The Board accrues in its accounts annually the estimated liabilities for severance pay, annual leave, sick leave and overtime compensatory leave, which are payable to its employees in subsequent years under its collective agreements, or in accordance with Board policy.

2. Long-term investments

Commencing in the financial year ended December 31, 1981, the Board has concluded that the funds invested in Government of Canada bonds are not intended to meet expenditure requirements within the following financial year, and accordingly, they have been presented as non-current assets.

3. Long-term amounts receivable

Long-term amounts receivable resulting from sales of fixed assets become due over periods from one to 26 years at interest rates varying from 5 ¼% to 8%.

4. Investment in Ridley Terminals Inc.

Order in Council (PC 1981-3669) dated December 18, 1981 authorized the National Harbours Board to enter into a joint undertaking with Federal Commerce and Navigation Ltd. for the development, management and operation of a coal terminal facility on Ridley Island at the Port of Prince Rupert. On December 23, 1981, the Board acquired, at a cost of $24,000, 90% of the issued common (voting) shares and 900 class A preferred (non-voting) shares of Ridley Terminals Inc., a company incorporated on December 18, 1981 under the Canada Business Corporations Act for that purpose.

The Board is also committed to purchase additional shares for up to $23,021,400 of Ridley Terminals Inc., in accordance with the Pre-incorporation Agreement of December 17, 1981.

5. Debentures of Saint John Harbour Bridge Authority

The Saint John Harbour Bridge Authority is indebted in the amount of $14,612,000 (1980—$14,687,000) to the Board which in turn is indebted to the Government of Canada by the same amount, in accordance with the provisions of Vote L106b, Appropriation Act. No. 7, 1967, 1967-68, c. 8. The interest and repayment terms of the parliamentary advances to the Board are identical to those of the debentures of the Authority. Under the terms of the agreement between the Government of Canada and the Authority, the Government has, in effect, guaranteed the repayment of both principal and interest on the debentures. Therefore, both the debentures receivable and advances and loans payable to the Government have been offset against each other and are not reflected as a separate asset and liability on the balance sheet. Interest income and expense of $1,002,000 (1980—$1,007,000) have been similarly offset and do not appear in the Statement of Income and Deficit.

On July 9, 1981, Treasury Board agreed to the transfer of the responsibility for the administration of the indebtedness of the Saint John Harbour Bridge Authority as well as the equivalent loan payable to the Government of Canada Department of Finance from the accounts of the National Harbours Board to Transport Canada. As at December 31, 1981, this transfer had still to be completed.

6. Fixed assets

(a) Summary

(in thousands of dollars)

		1981			1980
	Rate of depreciation	Cost	Accumulated depreciation	Net	Net
Land		112,268		112,268	104,235
Dredging	2.5-6.7%	35,422	20,874	14,548	13,387
Berthing structures	2.5-10%	259,726	128,385	131,341	114,742
Buildings	2.5-10%	147,275	79,300	67,975	68,567
Utilities	3.3-10%	32,056	13,575	18,481	16,905
Roads and surfaces	2.5-10%	43,207	20,560	22,647	20,110
Machinery and equipment	5-100%	64,542	48,926	15,616	16,421
Office furniture and equipment	20%	1,601	1,366	235	136
Works under construction		56,318		56,318	53,490
		752,415	312,986	439,429	407,993

(b) Land transfer

In 1979, the Board effected a land transfer with Canada Mortgage and Housing Corporation and, as at December 31, 1981, had still to transfer eight acres of land valued at $1,204,000 in order to complete the transaction. The cost of the land not yet transferred has not been relieved from the accounts and the related liability of $1,204,000 is included in accounts payable.

(c) Capital grants

During the year, the Board received capital grants from the Federal Government towards the construction of capital projects totalling $17,613,000 (1980—$4,656,000).These grants have been credited directly against the cost of related fixed assets. Included in the $17,613,000 is an amount of $3,076,000 which represents settlement of a Federal court judgement in connection with a property at the Port of Halifax.

7. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are amounts for deferred revenues and for the current portion of long-term liabilities.

NATIONAL HARBOURS BOARD—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1981—*Concluded*

	(in thousands of dollars) 1981	1980
Deferred revenues	5,387	3,998
Current portion of long-term liabilities	1,733	2,011

8. Financing provided by province

Under an agreement dated July 13, 1972, the Province of New Brunswick advanced $25,000,000 to partially finance the construction of Rodney Terminal, Saint John, which is owned by the Board.

Until the non-interest bearing investment is repaid, the Province will receive 50% of the net operating income of the terminal, under the terms of an agreement dated January 1, 1976.

9. Loans from Canada

	(in thousands of dollars) 1981	1980
Loans bearing interest at 6.25% to 12.43% with blended annual principal and interest repayment requirements of $2,745,000 and maturing December 31, 2000	25,138	25,684
Less: current portion	589	546
	24,549	25,138
Non-interest bearing loans with indefinite due date	317,739	317,739
Accrued interest on loans not due and payable	157,462	157,462
	499,750	500,339

Principal repayment requirements over the next five years amount to $588,920 in 1982, $635,677 in 1983, $686,460 in 1984, $741,646 in 1985 and $801,651 in 1986.

10. 1980 adjustment to contributed capital

In 1973, an amount of $1,510,534 provided by a lessee towards the cost of a new container terminal was recorded as contributed capital. In 1980, a judgement was rendered which required that this amount be repaid to the lessee. This amount was transferred from contributed capital and included in accounts payable.

11. Contingencies

(a) Claims aggregating approximately $17,000,000 in respect of lawsuits, guarantees, employee agreements, damage allegedly suffered on the Board's property and sundry other matters in dispute have been received by the Board but are not reflected in the accounts. In the opinion of the Board, its position is defensible and the final outcome of such claims should not result in any material financial liability.

(b) The Board is aware of cracks in some pilings in one of the piers at a port. The extent of any future costs which may be incurred, and the extent to which these costs will be recovered, cannot be reasonably estimated at this time.

12. Capital expenditure commitments

Contractual obligations for the completion, construction and purchase of fixed assets are estimated at $90,815,000. Of this amount, it is estimated that $59,512,000 will be expended in the year ending December 31, 1982 and the balance in subsequent years.

On January 18, 1982 the Board entered into an agreement with Ridley Terminals Inc. for the construction of the infrastructure for the coal terminal facility on Ridley Island. The cost of this construction is estimated at $48,300,000.

Additionally, Ridley Terminals Inc. will enter into various contracts for the construction of the coal terminal facility. As at February 18, 1982, the value of these contracts approximates $45,000,000. Ridley Terminals Inc. has made arrangements with its bankers for financing 80% of the cost of the facility and any operating short-fall to a combined maximum of $265,000,000.

13. Subsequent event

The Minister of Transport has introduced legislation known as the Canada Ports Corporation Act, which was tabled for first reading in the House of Commons on February 1, 1982. This bill, C-92, if passed, will include amendments to the National Harbours Board Act. Certain of these amendments will have the effect of providing for the creation of local port corporations with a high degree of autonomy in the management of their facilities.

NORTHERN CANADA POWER COMMISSION

(*Established by the Northern Canada Power Commission Act*)

AUDITOR'S REPORT

THE HONOURABLE JOHN CARR MUNRO, P.C., M.P.
MINISTER OF INDIAN AFFAIRS AND NORTHERN DEVELOPMENT

I have examined the balance sheet of Northern Canada Power Commission as at March 31, 1982 and the statements of operations and deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements give a true and fair view of the financial position of the Commission as at March 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Commission, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

RAYMOND DUBOIS
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Ontario
June 4, 1982

BALANCE SHEET AS AT MARCH 31, 1982

(in thousands of dollars)

ASSETS	1982	1981
Fixed		
In service (Note 3)	215,590	211,691
Less accumulated depreciation	43,318	37,492
	172,272	174,199
Projects under construction	8,554	3,568
	180,826	177,767
Current		
Cash	6,194	9,797
Accounts receivable		
Utilities	11,750	8,927
Other	1,547	781
Inventories, at cost		
Fuel and lubricants	9,678	7,025
Other supplies	2,336	1,937
	31,505	28,467
	212,331	206,234

LIABILITIES	1982	1981
Long-term		
Loans from Canada (Note 4)	190,971	187,175
Current		
Due to Canada		
Current portion of long-term debt	6,186	5,726
Overdue instalments and related interest (Note 5)	9,192	9,192
Accounts payable and accrued liabilities	9,163	7,797
Contractors' holdbacks	1,002	952
	25,543	23,667
	216,514	210,842
DEFICIT OF CANADA		
Deficit	4,183	4,608
	212,331	206,234

Approved:

R. PHILLIPS
Comptroller

Approved by the Commission:

JAMES SMITH
Chairman

NORTHERN CANADA POWER COMMISSION—*Continued*

STATEMENT OF OPERATIONS AND DEFICIT FOR THE YEAR ENDED MARCH 31, 1982
(in thousands of dollars)

	1982	1981
Income		
Sale of power	66,598	49,579
Sale of heat	5,602	5,272
Other	1,163	1,063
	73,363	55,914
Expense		
Operations and maintenance	48,168	32,912
Engineering and general administration (Note 8)	4,447	3,470
Depreciation	6,367	6,061
	58,982	42,443
Income before interest expense	14,381	13,471
Interest expense, net (Note 9)	13,956	13,871
Net income (loss) for the year	425	(400)
Deficit at beginning of the year	4,608	4,208
Deficit at the end of the year	4,183	4,608

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1982
(in thousands of dollars)

	1982	1981
Source of working capital		
Operations		
Net income (loss) for the year	425	(400)
Items not requiring an outlay of funds		
Depreciation	6,367	6,061
Property and equipment written off	1	17
	6,793	5,678
Canada		
Loans for capital expenditures	9,600	5,000
Interest capitalized on loans	382	
Proceeds on disposals of property and equipment	61	68
	16,836	10,746
Application of working capital		
Additions to property and equipment	9,488	5,606
Reduction of loans from Canada	6,186	6,163
	15,674	11,769
Increase (decrease) in working capital	1,162	(1,023)
Working capital at beginning of the year	4,800	5,823
Working capital at end of the year	5,962	4,800

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 1982

1. Authority and objective

The Northern Canada Power Commission, a Schedule C corporation, was formerly the Northwest Territories Power Commission established in 1948 and now operates under the Northern Canada Power Commission Act.

The objective of the Commission is to provide utility services on a self-sustaining basis in the Northwest Territories, the Yukon Territory and, with the approval of the Governor in Council, at certain other locations in Canada.

2. Accounting policies

The financial statements have been prepared by management in conformity with generally accepted accounting principles considered to be appropriate in the circumstances, and have been applied on a basis consistent with that of the preceding year. A summary of significant accounting policies of the Commission is presented as follows to assist the reader in interpreting the financial statements.

Property and equipment

Property and equipment, with the exception of that gifted to the Commission by Canada and others which have been recorded at nominal value, are carried at cost less accumulated depreciation. Costs of additions, betterments and major renewals are capitalized. In addition to direct payments for goods and services, project costs include interest at prevailing rates on loan funds used to finance construction during the construction period and a share of engineering and general administration expense which is directly attributable to the capital projects.

Gains or losses on disposal of property and equipment resulting from exceptional circumstances such as the disposal of assets which have not entered the production cycle, are written off against operations in the year that the losses are recognized. For normal retirements, the cost of assets retired less salvage proceeds is charged to accumulated depreciation with no gain or loss being reflected in operations.

Depreciation

Depreciation on property and equipment in service prior to March 31, 1977, financed by loans from Canada, excepting the Head Office building, is calculated as an amount equivalent to the principal portion of the repayment of the associated loan. The associated loans are being repaid by the annuity method over the estimated economic life of the assets. Assets placed in service subsequent to March 31, 1977 are depreciated on a straight line basis. Straight line depreciation is charged over the estimated economic life of the Head Office building and on assets purchased from internally generated funds.

Depreciation rates for the various classes of assets are based on estimated economic lives, which for the principal classes of assets are:

Hydroelectric plants	30 - 50 years
Diesel engines and associated equipment	10 - 15 years
Fuel storage equipment	20 years
Buildings	20 - 30 years
Heating systems	20 years
Transmission and distribution systems	20 - 30 years
Office and general equipment	10 - 15 years
Motor vehicles	4 years

Inventories

Inventories are valued at average cost. Provision is made for decline in value of slow-moving inventory.

NORTHERN CANADA POWER COMMISSION—*Continued*

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1982—*Continued*

3. Fixed assets in service

Details of fixed assets in service at cost are as follows:

	1982	1981
	$	$
Electric power plants	163,751,000	161,276,000
Transmission and distribution systems	36,210,000	35,180,000
Other utilities	5,053,000	5,053,000
Staff accommodation	3,800,000	3,821,000
Warehouses, motor vehicles and general facilities	6,776,000	6,361,000
	215,590,000	211,691,000

4. Loans from Canada

The Commission receives funds for capital expenditures by way of interest bearing loans from Canada. Interest at prevailing rates is accrued during the course of construction of a project and added to the amount borrowed. The total loan, including accrued interest is repaid on terms and conditions as approved by Governor in Council.

The Commission also received a working capital loan of $7,500,000 in 1979. Terms and conditions provide for principal repayment by 10 equal annual instalments of $750,000 commencing on March 31, 1990. The loan is interest free but should any instalment become due and unpaid, interest at then current rate is applicable until the date of payment.

At March 31, 1982, loans for capital expenditures carried interest rates ranging from 4% to 15.625% with a weighted average interest rate of 8.85%.

Loans due Canada mature as follows:

	Principal
	$
1983	6,186,000
1984	6,557,000
1985	7,147,000
1986	7,591,000
1987	8,000,000
1988 - 2024	161,626,000
	197,107,000
Deduct current portion	6,186,000
	190,921,000
Advance: project investigation	50,000
	190,971,000

In 1982 the Commission borrowed $9,600,000 ($5,000,000 in 1981) from Canada at an interest rate of 15.625% and paid $22,091,000 ($21,890,000 in 1981) to Canada including interest of $16,365,000 ($16,361,000 in 1981). In addition, interest of $382,000 has been accrued in respect of construction in progress and is included in the amount due to Canada.

5. Due to Canada—Overdue instalments and related interest

This item represents principal, $2,203,000 and interest $6,989,000 on instalments which fell due on March 31, 1977 and which remain unpaid.

6. Hydro investigation studies

The Commission, with the approval of the Governor in Council, is carrying out special investigation studies on the hydro-generation potential of the mid-Yukon for which it will receive payments not exceeding $3,150,000. The studies are to be completed by September 30, 1983 and any undisbursed funds are to be refunded to Canada. If these studies result in the provision of electricity for consumption, the funds provided for the studies will become repayable, with accrued interest, to Canada.

The Commission has received accumulated payments of $3,150,000 to March 31, 1982 ($1,250,000 to March 31, 1981) for the special investigation studies and has incurred accumulated expenditures of $2,926,000 ($1,215,000 in 1981). The unexpended balance of $224,000 is included as an account payable at March 31, 1982 ($35,000 at March 31, 1981).

7. Pensions

During the year the Commission made payments of $518,000 ($460,000 in 1981) in respect of current contributions to the Public Service Superannuation Account (PSSA) of the Government of Canada. The PSSA is actuarially valued every five years. The Commission's contributions and liabilities are limited to the current portion, and no estimate of the Commission's share of actuarial deficiencies has been made.

8. Engineering and general administration

Engineering and general administration is net of amounts charged to capital and recoverable projects. Allocations to capital and recoverable projects totalled $777,000 in 1982 ($662,000 in 1981).

9. Interest expense

Interest expense relates to long-term debt and is net of amounts charged to capital projects and interest earned from short-term investments. Interest charges totalling $382,000 were capitalized at a rate of 15.054 for 1982 ($138,000 at 8% for 1981). Interest earned on short-term investments amounted to $2,409,000 in 1982 ($2,352,000 in 1981).

10. Commitments

Estimated cost to complete capital projects under construction is approximately $51,744,000 at March 31, 1982 ($32,100,000 at March 31, 1981).

11. Insurance

The Commission purchases catastrophe insurance on specified assets as protection against major losses up to $20,000,000. Business liability insurance coverage is maintained in an amount considered necessary to provide adequate protection to the Commission. Other coverage in effect includes fleet, aircraft, airstrip, boiler and comprehensive general liability insurance. Special coverage on major projects under construction is purchased by the Commission, or by its contractors if required by the Commission.

NORTHERN CANADA POWER COMMISSION—*Concluded*

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1982—*Concluded*

12. Related party transactions

Audit and legal services

In addition to the transactions with the Government of Canada referred to in Notes 4, 5, 6 and 7, the Commission receives audit and legal services without charge from the Office of the Auditor General of Canada and the Department of Justice (Canada).

Commission members

The Commission consists of a chairman and four additional members appointed by the Governor in Council. The Chairman is the chief executive officer of the Commission.

Economic dependence

The Commission has a significant amount of transactions with Canada and its agencies, the same with territorial and municipal governments of the Northwest Territories and Yukon Territory and large industrial consumers and supplies. These transactions comprise:

	1982	1981
	$	$
Sale of power and heat		
Federal, territorial, municipal governments and agencies	29,259,000	24,288,000
Large industrial consumers	35,421,000	24,871,000
Purchase of fuel		
Federal, territorial governments and agencies	5,496,000	3,836,000
Accounts receivable, at March 31		
Federal, territorial, municipal governments and agencies	3,822,000	3,262,000
Large industrial consumers	2,103,000	2,651,000
Accounts payable, at March 31		
Federal and territorial governments	2,838,000	1,733,000

13. Income tax

As a Schedule C Crown corporation, the Commission is exempt from income tax.

NORTHERN TRANSPORTATION COMPANY LIMITED

(Incorporated under the Canada Business Corporations Act)

AUDITORS' REPORT

THE HONOURABLE JEAN-LUC PEPIN, P.C., M.P.
MINISTER OF TRANSPORT

We have examined the consolidated statement of financial position of Northern Transportation Company Limited as at December 31, 1981 and the consolidated statements of operations, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the adoption of a policy of providing for the estimated cost of repairing damage to vessels sustained during the year as explained in Note 6 to the financial statements, on a basis consistent with that of the preceding year.

We further report that, in our opinion, proper books of account have been kept by the Company, the financial statements are in agreement therewith and the transactions that have come under our notice have been within its statutory powers.

KENNETH M. DYE
Auditor General of Canada
Ottawa, Ontario

DELOITTE HASKINS & SELLS
Chartered Accountants
Edmonton, Alberta

February 5, 1982

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 1981

(in thousands of dollars)

	1981	1980
Current assets		
Cash and short-term bank deposits	19,760	21,147
Accounts receivable	4,957	3,130
Operating and general supplies	1,586	1,412
Prepaid expenses	177	173
	26,480	25,862
Current liabilities		
Bank indebtedness (Note 7)	987	340
Accounts payable and accrued liabilities	6,306	4,400
Income taxes payable	27	64
Accrued interest	180	196
Current portion of long-term debt	3,015	850
	10,515	5,850
Working capital	15,965	20,012
Non-current assets		
Insurance investment fund	3,824	3,124
Property and equipment (Note 8)	44,721	36,838
	48,545	39,962
Capital employed	64,510	59,974
Represented by:		
Long-term debt (Note 9)	34,036	37,051
Deferred income taxes (Note 10)	309	
	34,345	37,051
Shareholder's equity		
Share capital (Note 11)	25,052	25,052
Retained earnings (deficit)	5,113	(2,129)
	30,165	22,923
	64,510	59,974

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board:

S. D. CAMERON
Director

L. R. MONTPETIT
Director

NORTHERN TRANSPORTATION COMPANY LIMITED—*Continued*

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1981

(in thousands of dollars)

	1981	1980
Income		
Freightage revenue (Note 3)	37,663	30,231
Charter, rental and miscellaneous	8,791	4,928
	46,454	35,159
Operating expenses		
Cargo haulage	13,031	9,557
Terminal operations	8,745	7,763
Maintenance and repairs	9,781	5,848
Administration and marketing	3,485	3,329
Depreciation	4,781	4,384
	39,823	30,881
Profit from operations	6,631	4,278
Other income (expense)—Net (Note 4)	947	(65)
Profit before income taxes and extraordinary item	7,578	4,213
Income taxes (Note 5)	3,605	2,004
Profit before extraordinary item	3,973	2,209
Extraordinary item (Note 5)	3,269	1,891
Net profit (Note 6)	7,242	4,100

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1981

(in thousands of dollars)

	1981	1980
(Deficit) at beginning of year		
As previously reported	(1,235)	(5,512)
Prior period adjustment (Note 6)	(894)	(717)
As restated	(2,129)	(6,229)
Net profit	7,242	4,100
Retained earnings (deficit) at end of year	5,113	(2,129)

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1981

(in thousands of dollars)

	1981	1980
Source of working capital		
Profit before extraordinary item	3,973	2,209
Items not requiring working capital	8,259	5,986
Working capital from operations	12,232	8,195
Disposal of property and equipment	109	305
	12,341	8,500
Use of working capital		
Purchase of property and equipment	12,673	2,152
Reduction of long-term debt	3,015	933
Transfer to insurance investment fund	700	775
	16,388	3,860
(Decrease) Increase in working capital	(4,047)	4,640
Working capital at beginning of year	20,012	15,372
Working capital at end of year	15,965	20,012

The accompanying notes are an integral part of the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 1981

1. Corporate objective

The Company is a profit-oriented commercial Crown corporation whose primary objective is to provide economic, reliable and comprehensive transportation and related services in Northern Canada and the Arctic.

2. Accounting policies

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles. The following accounting policies are considered significant:

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, Grimshaw Trucking and Distributing Ltd., and Nortran Offshore Limited (formerly Yellowknife Transportation Company Limited), both of which are wholly owned. All significant inter-company transactions have been eliminated on consolidation.

Operating and general supplies

Inventories of operating and general supplies are valued at the lower of cost and estimated replacement cost.

Insurance investment fund

As part of its insurance program, the Company maintains umbrella insurance coverage in respect of physical loss or damage to property and equipment. In addition, a fund is being accumulated to underwrite the aggregate deductible amount and the uninsured portion of any losses. The total amount of the fund, which is invested in short-term bank deposits, is related to the annual aggregate deductible amount under the umbrella program and will not exceed $4.5 million.

Leases

Leases are classified as either capital or operating. A lease that transfers substantially all of the benefits and risks incident to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of such lease. All other leases are accounted for as operating leases wherein rental payments are charged to operations as incurred.

Property and equipment

Investment in property and equipment is recorded at cost. The costs of major additions and replacements, including assets under capital lease, is capitalized. Minor replacements, maintenance and repairs, including provision for the estimated cost of repairing damage to vessels, are charged against current operations. Gains or losses realized on retirement or disposal are reflected in operations.

Depreciation

Vessels are depreciated on a "unit of production" basis taking into account the estimated ton-mile productive capacity of each vessel over a 15-year period with a minimum charge of four per cent per annum calculated on a maximum useful life of 25 years. The cost of other depreciable assets, including assets under capital lease, is amortized on a straight-line basis over an estimated useful life of 10 to 20 years for buildings, other structures and site development, and 5 to 10 years for other equipment.

NORTHERN TRANSPORTATION COMPANY LIMITED—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 1981—*Continued*

Pension plan

A contributory, defined benefit, final average earnings pension plan covers all regular full-time employees of Northern Transportation Company Limited. The assets of the plan are held by an independent corporate trustee. Current service costs are funded and charged to operations as they accrue. Unfunded liabilities and plan improvement costs, as determined by actuarial valuation, are funded by annual payments which are charged to operations over periods recommended by the consulting actuary and as required by the Pension Benefits Standards Act.

Income taxes

The tax allocation method is used in providing for income taxes. In calculating taxable income, regulations permit the deduction of expenses which may not correspond with the amounts recorded in the financial statements. Income taxes charged to operations, therefore, may differ from those currently payable.

3. Freightage revenue

Included in freightage revenue is a subsidy of $642,000 (1980—$844,000) from Canada for the resupply service to the Keewatin area.

4. Other income (expense)—Net

	1981	1980
	(in thousands of dollars)	
Income		
Interest earned	3,727	2,512
Gain on disposal of property and equipment	100	289
Other	101	104
	3,928	2,905
Expense		
Interest on long-term debt	2,853	2,948
Interest on other debt	128	22
	2,981	2,970
	947	(65)

5. Income taxes and extraordinary item

The undepreciated capital cost of property and equipment for income tax purposes exceeds the net book value of depreciable assets, and this excess is available to reduce the taxable income of current and future years. During the year, income taxes otherwise payable of $3,269,000 (1980—$1,891,000) were reduced as a result of claiming $6,835,000 (1980—$3,940,000) of this excess, leaving an amount of approximately $2,805,000 (1980—$9,640,000) available for reduction of income taxes in future years. This reduction of income taxes has been shown as an extraordinary item in the statement of operations. In addition, expenses of $2,645,000 were charged against operations in 1981 but not claimed for income tax purposes. This amount will also be available for reduction of income taxes in future years.

6. Change in accounting policy

In 1981, in order to better match costs and revenue, the Company adopted a policy of providing for the estimated cost of repairing damage to vessels sustained during the year. This change in accounting policy has been applied on a retroactive basis, necessitating the restatement of prior results.

This change has had the effect of reducing the profit before extraordinary item in 1981 by $905,000; as well, working capital decreased by $1,751,000. The deficit as at January 1, 1981 previously reported as $1,235,000 has been increased by $894,000 of which $177,000 is applicable to 1980 and $717,000 to prior years.

7. Bank indebtedness

Certain assets of a subsidiary company have been assigned as security.

8. Property and equipment

	1981	1980
	(in thousands of dollars)	
Land	2,049	1,759
Vessels	66,621	57,692
Buildings, other structures and site development	19,665	18,824
Other equipment	19,251	17,200
	107,586	95,475
Accumulated depreciation	62,865	58,637
	44,721	36,838

Equipment under capital lease is included in property and equipment at a cost of $536,000 (1980—$713,000) less accumulated depreciation of $439,000 (1980—$535,000).

9. Long-term debt

	1981	1980
	(in thousands of dollars)	
Notes payable to Canada		
8.41% note due 1982—1986	620	920
7.45% note due 1982—1991	31,180	31,180
8.375% note due 1989	2,625	3,093
8.5% notes due 1990	2,500	2,500
	36,925	37,693
Capital lease obligations		
12.0% due 1982—1984	126	208
	37,051	37,901
Less current portion	3,015	850
	34,036	37,051

Principal amounts due in each of the next five years are as follows:

	Notes payable to Canada	Capital Lease obligations	Total
	(in thousands of dollars)		
1982	2,972	43	3,015
1983	3,124	50	3,174
1984	2,971	33	3,004
1985	3,191		3,191
1986	3,395		3,395

Individual notes may be prepaid without premium or penalty.

10. Deferred income taxes

Deferred income taxes relate to a subsidiary company which is claiming capital cost allowance in excess of depreciation for income tax purposes.

NORTHERN TRANSPORTATION COMPANY LIMITED—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 1981—*Concluded*

11. Share capital

	1981	1980
	(in thousands of dollars)	
Authorized		
400,000 common shares of no par value		
Issued and fully paid		
250,520 shares to Canada	25,052	25,052

12. Operating lease obligations

Certain property is leased under long-term contracts. Commitments in respect of rental payments are: 1982—$679,000; 1983—$504,000; 1984—$386,000; 1985—$365,000; 1986—$365,000 and subsequent years—$783,000.

13. Pension plan

At December 31, 1980 the unfunded liability, as determined by actuarial valuation, was $43,000. A special payment in respect of this unfunded liability was made to the pension plan in 1981.

14. Related party transactions

In addition tc the notes payable to Canada referred to in Note 9, the Company had transactions with the Government of Canada and its agencies, the Government of the Northwest Territories, and several federal Crown corporations. These transactions were conducted in the normal course of business, under the same terms and conditions as those applied to unrelated parties. The account balances resulting from these transactions are reflected in the statement of financial position.

PACIFIC PILOTAGE AUTHORITY

(*Established by the Pilotage Act*)

AUDITOR'S REPORT

THE HONOURABLE JEAN-LUC PEPIN, P.C., M.P.
MINISTER OF TRANSPORT

I have examined the balance sheet of the Pacific Pilotage Authority as at December 31, 1981 and the statements of operations, retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements give a true and fair view of the financial position of the Authority as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Authority, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

KENNETH M. DYE
Auditor General of Canada

Ottawa, Ontario
January 29, 1982

BALANCE SHEET AS AT DECEMBER 31, 1981

ASSETS	1981	1980
	$	$
Current		
Cash and term deposits	558,262	721,377
Accounts receivable	1,686,439	1,209,531
Prepaid expenses	14,132	18,809
	2,258,833	1,949,717
Fixed, at cost		
Buildings	40,000	40,000
Pilot boats	461,615	461,615
Pilot boat under capital lease	275,865	275,865
Equipment	373,698	344,822
Leasehold improvements	94,017	94,017
	1,245,195	1,216,319
Less: accumulated depreciation	670,114	576,882
	575,081	639,437
	2,833,914	2,589,154

LIABILITIES	1981	1980
	$	$
Current		
Accounts payable and accrued liabilities	1,300,719	1,014,902
Obligation under capital lease (Note 3)	18,805	17,412
	1,319,524	1,032,314
Long-term		
Accrued employee termination benefits	316,407	263,832
Obligation under capital lease (Note 3)	148,992	167,797
	465,399	431,629
	1,784,923	1,463,943
EQUITY OF CANADA		
Contributed capital	806,122	806,122
Retained earnings	242,869	319,089
	1,048,991	1,125,211
	2,833,914	2,589,154

Approved by the Authority:

T. C. HUBBER-RICHARD
Chairman

J. BARY COOK
Member

PACIFIC PILOTAGE AUTHORITY—*Continued*

STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	$	$
Income		
Pilotage charges	14,215,210	12,158,334
Interest and other income	46,223	64,598
	14,261,433	12,222,932
Expenses		
Contract pilots' fees	9,637,184	8,698,102
Pilot boats—Cost of operations	1,671,334	1,325,851
Transportation and travel	1,339,945	1,081,203
Staff salaries and benefits	675,115	570,557
Pilots' salaries and benefits	463,879	422,215
Professional and special services	219,792	135,723
Depreciation	93,232	90,106
Employee termination benefits	63,575	62,135
Utilities, materials and supplies	52,438	52,354
Rentals	51,865	36,465
Communications	41,612	34,913
Interest on capital lease	13,924	16,107
Repairs and maintenance	11,266	9,430
Bad debts	2,492	593
	14,337,653	12,535,754
Loss for the year	76,220	312,822

STATEMENT OF RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	$	$
Appropriated		
Reserve for renewal and/or acquisition of major fixed assets		
Balance, beginning of the year	315,000	450,000
Transfer to unappropriated	(75,000)	(135,000)
Balance, end of the year	240,000	315,000
Unappropriated		
Balance, beginning of the year	4,089	181,911
Loss for the year	(76,220)	(312,822)
Transfer from appropriated	75,000	135,000
Balance, end of the year	2,869	4,089
	242,869	319,089

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	$	$
Funds provided		
Operations		
Loss for the year	(76,220)	
Items not requiring an outlay of funds		
Depreciation	93,232	
Employee termination benefits	52,575	
	69,587	
Funds applied		
Operations		
Loss for the year		312,822
Items not requiring an outlay of funds		
Depreciation		(90,106)
Employee termination benefits		(57,220)
		165,496
Additions to fixed assets	28,876	38,750
Decrease in long-term obligation under capital lease	18,805	17,412
	47,681	221,658
Increase (decrease) in working capital	21,906	(221,658)
Working capital, beginning of the year	917,403	1,139,061
Working capital, end of the year	939,309	917,403

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1981

1. Nature of activities

The Pacific Pilotage Authority was established on February 1, 1972 pursuant to the Pilotage Act. The objectives of the Authority are to establish, operate, maintain and administer a safe and efficient pilotage service within designated Canadian waters. The Act further provides that the tariffs of pilotage charges shall be fair and reasonable and consistent with providing a revenue, together with any revenue from other sources, sufficient to permit the Authority to operate on a self-sustaining financial basis.

Pilotage services on the Fraser River are provided by employee pilots and in other coastal waters under a contract with a local association of licensed pilots.

2. Significant accounting policies

(a) Capital lease

The Authority leases a pilot boat from Canada under a long-term financing lease. Under the terms of the lease agreement, the Authority assumes the rights and obligations of ownership. As a result, the lease is treated as a purchase and the principal portion of the lease payments is capitalized and depreciated over the estimated useful life of the boat. The corresponding liability is reduced each year by the principal portion of lease payments and the interest portion is expensed in the year to which it relates.

(b) Depreciation

Depreciation of fixed assets is calculated on a straight-line basis and is based on the estimated useful life of the assets as follows:

Buildings	20 years
Pilot boats	20 years
Pilot boat under capital lease	20 years
Equipment	10 years
Leasehold improvements	7 years

PACIFIC PILOTAGE AUTHORITY—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1981—*Concluded*

(c) Employee termination benefits

Employees of the Authority are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these payments is recorded in the accounts as the benefits accrue to the employees.

(d) Contributed capital

Amounts representing the values assigned to assets transferred to the Authority from Canada in 1972 and the cost of any fixed assets financed from parliamentary appropriations are shown as contributed capital.

(e) Pension plan

All employees of the Authority are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. Contributions with respect to current service are expensed in the current period.

(f) Income tax

The Authority is not subject to the provisions of any income tax act.

3. Obligation under capital lease

	1981	1980
	$	$
Total minimum payments under 8% lease agreement, due April 1988, payable in blended annual payments of $32,229	225,604	257,833
Less: amount representing interest	57,807	72,624
Balance of the obligation	167,797	185,209
Less: current portion	18,805	17,412
Long-term portion	148,992	167,797

Upon maturity of the lease, the Authority has the option to purchase the boat for $1.

The capital cost and accumulated depreciation of the leased pilot boat are as follows:

	1981	1980
	$	$
Cost	275,865	275,865
Less: accumulated depreciation	120,691	106,898
	155,174	168,967

4. Long-term commitment

The Authority has entered into an operating lease agreement for the services of a manned pilot boat with a guaranteed annual rental of $58,000 to 1990, plus operating expenses. The Authority has the option to purchase this boat, at any time, at a price to be determined when the option is exercised.

5. Contingencies

In connection with its operations, the Authority is involved in certain pending litigation. It is the opinion of management, based on legal counsel, that these actions will not result in any material liabilities to the Authority.

6. Remuneration of members and officers

The remuneration of members as members amounted to $44,325 (1980—$44,575) and the remuneration of officers as officers amounted to $69,125 (1980—$55,894). The Authority has 7 members and 2 officers. One officer is also a member.

PETRO-CANADA

AUDITORS' REPORT

TO THE HONOURABLE MARC LALONDE, P.C., M.P.
MINISTER OF ENERGY, MINES AND RESOURCES CANADA
HOUSE OF COMMONS

We have examined the consolidated balance sheet of Petro-Canada as at December 31, 1981 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the corporation as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report as required by Section 77(1) of the Financial Administration Act that, in our opinion, proper books of account have been kept by the corporation and the transactions that have come under our notice have been within the powers of the corporation.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

Calgary, Canada
February 26, 1982

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1981
(stated in thousands of dollars)

ASSETS	1981	1980
Current Assets		
Cash and short-term deposits	115,534	72,690
Accounts receivable	587,476	257,119
Inventories (Note 3)	474,017	127,214
Deposits and prepaid expenses	30,043	25,642
	1,207,070	482,665
Investments (Note 4)	383,875	291,817
Property, Plant and Equipment, net (Note 5)	4,911,387	2,950,741
Deferred Charges (Note 6)	69,754	41,543
Deferred Interest (Note 10)	40,447	
	6,612,533	3,766,766

LIABILITIES	1981	1980
Current Liabilities		
Accounts payable and accrued liabilities	426,523	285,792
Income taxes payable	10,006	
Portion of long-term debt due within one year	73,135	61,668
	509,664	347,460
Long-Term Debt (Note 7)	211,042	221,407
Revolving Term Loan (Note 8)	566,829	
Advances on Future Natural Gas Deliveries	60,896	37,187
Deferred Income Taxes	910,066	581,738
Minority Interest in Subsidiary (Note 2)	787,450	
Preferred Shares Issued by a Subsidiary (Note 9)	1,464,375	1,464,375
Convertible Notes (Note 10)	461,767	
SHAREHOLDER'S EQUITY		
Capital (Note 11)		
Preferred shares	864,772	423,800
Common shares	600,000	580,000
	1,464,772	1,003,800
Retained Earnings	175,672	110,799
	1,640,444	1,114,599
Commitments and Contingencies (Note 16)		
	6,612,533	3,766,766

Approved on behalf of the Board:

W. H. HOPPER
Director

T. K. SHOYAMA
Director

PETRO-CANADA—*Continued*

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1981
(stated in thousands of dollars)

	1981 (Note 2)	1980
Revenue		
Operating	2,646,365	991,517
Interest and other income	48,414	27,611
Equity in earnings of affiliates	20,998	16,026
	2,715,777	1,035,154
Expenses		
Crude oil and product purchases	1,541,920	290,047
Producing and refining	274,440	165,230
Depreciation, depletion and amortization	157,122	141,960
Marketing, general and administrative	156,942	79,798
Taxes other than income taxes	115,586	16,119
Interest on long-term debt	35,446	22,850
Other interest	5,303	
	2,286,759	716,004
Earnings before Income Taxes	429,018	319,150
Provision for Income Taxes (Note 12)		
Deferred	175,278	156,407
Current	49,896	(943)
	225,174	155,464
Net Earnings for Year before Preferred Share Dividends of Subsidiary	203,844	163,686
Preferred Share Dividends of Subsidiary (Note 9)	138,971	107,937
Net Earnings for Year After Preferred Share Dividends of Subsidiary	64,873	55,749
Retained Earnings at Beginning of Year	110,799	55,050
Retained Earnings at End of Year	175,672	110,799

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1981
(stated in thousands of dollars)

	1981 (Note 2)	1980
Sources of Working Capital		
Net earnings for year before preferred share dividends of subsidiary	203,844	163,686
Add items not affecting working capital	323,126	293,864
Working capital provided from operations	526,970	457,550
Borrowings from revolving term loan	1,029,558	
Proceeds from issue of convertible notes	461,767	
Proceeds from issue of shares	460,972	80,000
Petroleum incentives program grants	138,764	
Proceeds from issue of long-term debt	21,230	
Advances on future natural gas deliveries	8,752	19,891
	2,648,013	557,441
Uses of Working Capital		
Acquisition of Petrofina Canada Inc.	825,500	
Less working capital acquired	299,771	
	525,729	
Purchase of property, plant and equipment	594,601	424,379
Repayments of revolving term loan	462,729	
Reduction of long-term debt	208,055	60,829
Preferred share dividends paid by sudsidiary	138,971	107,937
Increase in investments	88,673	10,163
Deferred interest	40,447	
Increase in deferred charges	26,607	4,991
	2,085,812	608,299
Increase (Decrease) in Working Capital	562,201	(50,858)
Working Capital at Beginning of Year	135,205	186,063
Working Capital at End of Year	697,406	135,205

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1981
(tabular amounts shown in thousands of dollars)

1. Summary of Significant Accounting Policies

(a) Basis of Consolidation

The consolidated financial statements include the accounts of Petro-Canada and of all subsidiary companies ("the Corporation") except those of Canertech Inc., the reason for which exclusion is described in Note 4.

The excess of the consideration paid for the shares of subsidiaries over the underlying net book values at the dates of acquisition is attributed to the related assets acquired.

(b) Translation of Foreign Currency

Current assets and current liabilities are translated at the rate of exchange in effect at the close of the year. The resulting gains and losses are included in earnings. Long-term assets, liabilities and preferred shares issued by a subsidiary are translated at rates in effect at the dates the assets were acquired, the obligations were incurred or the capital stock was issued. Revenue and expense items are translated at the average rates in effect during the year with the exception of depreciation, depletion and amortization which reflect rates in effect when the assets were acquired.

(c) Inventories

Inventories are valued at the lower of cost and net realizable value.

PETRO-CANADA—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1981—*Continued*

(d) Investments

The Corporation accounts for investments in companies over which it has significant influence on the equity method. Other long-term investments are accounted for by the cost method.

(e) Property, Plant and Equipment

The Corporation accounts for the investment in oil and gas properties on the full cost method whereby all costs relating to the exploration for and development of oil and gas reserves are capitalized. Such costs include those related to lease acquisitions, geological and geophysical activities, lease rentals on non-producing properties, drilling both productive and non-productive wells and overhead related to exploration.

Separate cost centres have been established for non-frontier Canada, each of five Canadian frontier areas and each foreign area in which the Corporation has an interest. Costs incurred in producing foreign cost centres are depleted separately on the unit of production method based on estimated proven oil and gas reserves. In 1981, the Corporation adopted the revenue method of depletion for the non-frontier Canada cost centre whereby costs incurred are depleted in the proportion that current revenue is to the total estimated revenue from proven reserves of oil and gas. This modification of the unit of production method, which prior to 1981 was based on production volumes, was made in response to changes in the pricing of hydrocarbons initiated by the National Energy Program and finalized by the signing of the Energy Pricing and Taxation Agreements between the Federal Government and the producing provinces.

Annual costs incurred in the other cost centres are amortized on a straight line basis over the period during which exploration activity in each cost centre is expected to continue. When exploration proves to be successful, as when an indicated commercial discovery is made, amortization is suspended and the unamortized balance of the cost centre is depleted on the unit of production method when production commences. When exploration proves to be unsuccessful and the cost centre is condemned or abandoned, the unamortized balance of that cost centre is charged to earnings at that time.

Costs of property, plant and equipment associated with the Syncrude Project and related leases are accumulated in a separate cost centre and are depreciated on the unit of production method based on production volumes. Expenditures on other bituminous sands leases are also accumulated in separate cost centres and are amortized, depleted or otherwise charged to earnings in accordance with the policy described in the preceding paragraph.

Depreciation of plant and equipment, except as noted above, is provided on either the unit of production method, based on production revenues, or the straight line method as appropriate. Annual straight line depreciation rates range from 2.5% to 25.0%.

The interest cost of debt attributable to the construction of major new facilities is capitalized during the construction period.

Substantially all of the Corporation's exploration and production activities related to oil and gas are conducted jointly with others. Only the Corporation's proportionate interest in such activities is reflected in the financial statements.

(f) Deferred Charges

The Corporation defers costs incurred on feasibility studies involving economic evaluation and preliminary engineering relating to:

(i) Production of hydrocarbons from conventional heavy oil and oil sands deposits
(ii) Arctic Liquefied Natural Gas Project
(iii) Transportation and refining projects

When production or commercial activity of a particular project commences the applicable expenditures are transferred to property, plant and equipment and are charged to earnings based on the estimated useful life of the project. In the event that a decision is made not to proceed with a particular project, all associated costs are charged to earnings at that time.

Certain costs relating to the Corporation's marketing program are deferred and amortized on a straight line basis over five years.

Debt issue expense is amortized on a straight line basis over the life of the debt. The amortization is included with interest on long-term debt in the consolidated statement of earnings and retained earnings.

(g) Federal Petroleum Compensation Program

Under the oil compensation program the Federal Government compensates eligible importers, and purchasers of domestic synthetic crude oil for a portion of certain costs with respect to petroleum consumed in Canada, provided they maintain prices for certain products at levels not to exceed those suggested by the Government. Compensation received under the program is reflected as a reduction of crude oil and product purchases.

(h) Research Costs

Research costs are charged against earnings as incurred.

(i) Income Taxes

The Corporation makes full provision for income taxes deferred as the result of claiming tax depreciation, exploration, development and other costs which exceed the related amounts charged to expense in the financial statements.

(j) Pension Plan

Costs of pension benefits for current services are funded and charged to earnings as they accrue. Costs for past services, arising from amendments to the plan, and experience deficiencies are funded in accordance with applicable pension legislation and charged to earnings over periods not exceeding fifteen years.

2. Acquisition of Petrofina Canada Inc.

On April 18, 1981 the Corporation made a tender offer to purchase for cash at $120 per share, subject to adjustments to reflect imputed interest and dividend payments, any and all of the outstanding common shares of Petrofina Canada Inc., subsequently renamed Petro-Canada Entreprises Inc. ("Enterprises"). The offer will terminate on February 28, 1983, unless extended.

Effective May 12, 1981 the shareholders of Enterprises approved the sale of substantially all its net assets to the Corporation in exchange for securities issued by a subsidiary of the

PETRO-CANADA—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1981—*Continued*

Corporation. The securities are valued at $1,612,950,000, being the equivalent of $120 per common share of Enterprises after adjustment for estimated imputed interest and dividends on common shares of Enterprises not yet acquired by the Corporation.

The net assets acquired at attributed values consist of:

Property, plan and equipment		
Oil and gas		
Canada		
—Non-frontier		696,616
—Frontier		12,253
Bituminous sands		
—Syncrude		191,584
—Other bituminous sands		55,126
Refining and marketing		688,054
Pipelines and other property and equipment		6,888
		1,650,521
Investments		4,773
Deferred charges		1,674
Long-term debt		(176,460)
Advances on future natural gas deliveries		(14,957)
Deferred income taxes		(152,372)
Working capital		
—Current assets	462,520	
—Current liabilities	(162,749)	299,771
		1,612,950

The acquisition of the assets from Enterprises and the tender offer constitute an integrated transaction which has been accounted for by the purchase method with the results of operations included in these financial statements from May 12, 1981. Details of the acquisition are as follows:

Book value of acquired assets		1,070,905
Book value of assumed liabilities		(508,484)
		562,421
Excess of attributed value over book value of acquired net assets:		
Petroleum and natural gas properties	487,789	
Refining and marketing	509,802	
Bituminous sands		
—Syncrude Project	7,838	
—Other bituminous sands leases	45,100	1,050,529
Net assets acquired from Enterprises at attributed value		1,612,950
Minority interest		(787,450)
Cost of acquisition to December 31, 1981		825,500

At December 31, 1981 the Corporation had acquired 6,750,418 shares (55.7%) of the outstanding common shares of Enterprises. The acquisition was financed by funds from a revolving term loan (Note 8). The minority interest is stated, pursuant to the offer of April 18, 1981 and the shareholder approval of May 12, 1981 referred to above, at the estimated cost of acquiring all of the outstanding shares of Enterprises not already held by the Corporation at December 31, 1981. Funds for the acquisition of these shares will also be provided from the revolving term loan.

3. Inventories

Inventories consist of:

	1981	1980
Foreign crude oil	67,378	51,356
Domestic crude oil, refined products and merchandise	337,658	43,796
Materials and supplies	68,981	32,062
	474,017	127,214

4. Investments

The Corporation's investments consist of:

	1981	1980
At equity		
Westcoast Transmission Company Limited	170,716	163,012
Panarctic Oils Ltd.	150,702	117,598
Other	25,978	2,559
At cost		
Canertech Inc.	20,000	
Mortgages and other investments	16,479	8,648
	383,875	291,817

Westcoast Transmission Company Limited

At December 31, 1981, the Corporation held 31.3% of the total outstanding common shares of Westcoast Transmission Company Limited ("Westcoast").

The value assigned to the investment in Westcoast, when it was acquired by the Corporation, and the cost of subsequent share purchases exceed the underlying net book value at the dates of acquisition by $33,388,000. This excess is being amortized over the estimated useful lives of the underlying assets to which it is attributed by charges against the Corporation's share of Westcoast's net earnings.

Westcoast is a regulated utility and is subject to regulatory directives which may change the components of the cost of service. Changes resulting from such directives do not have a direct effect on net earnings due to rate of return on rate base considerations which are also taken into account in the regulatory process.

At December 31, 1981, the quoted market value of the Corporation's investment in Westcoast was $168,649,000 (1980—$189,333,000).

Panarctic Oils Ltd.

During 1981 the Corporation acquired an additional 6,082,387 common shares of Panartic Oils Ltd. ("Panarctic") in exchange for cash and common and preferred shares of the Corporation, increasing its holding to 28,099,785 shares, and advanced additional funds in connection with the ongoing financing of Panarctic. The activities of Panarctic are in the exploratory stage and all expenses less sundry income have been capitalized; the company is deemed not to have earned a profit or sustained a loss. Panarctic's shares are not traded on the open market and therefore do not have a quoted market value.

Canertech Inc.

Canertech Inc. was incorporated by the Corporation as a wholly-owned subsidiary company and commenced operations during 1981 developing alternate energy sources in Canada. The Government of Canada has indicated its intention to establish Canertech Inc. as an independent Crown corporation and to purchase the Corporation's investment at cost. The accounts of Canertech Inc., therefore, have not been included in the consolidated financial statements because of the temporary nature of control by the Corporation.

PETRO-CANADA—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1981—*Continued*

5. Property, Plant and Equipment

Property, plant and equipment consists of:

	1981			1980
	Cost	Accumulated Depreciation, Depletion and Amortization	Net	Net
Oil and gas				
Canada				
—Non-frontier areas	3,098,843	289,323	2,809,520	1,976,293
—Frontier areas	464,294	79,829	384,465	317,828
Foreign	117,831	21,919	95,912	83,894
Bituminous sands				
—Syncrude Project and related leases	500,641	22,405	478,236	282,862
—Other bituminous sands leases and expenditures thereon	131,158	15,682	115,476	35,338
Refining and marketing	825,676	34,706	790,970	53,966
Natural gas liquids	129,623	13,943	115,680	121,250
Pipelines and other property and equipment	139,841	18,713	121,128	79,310
	5,407,907	496,520*	4,911,387	2,950,741

*Consists of depreciation—$111,393,000, depletion—$267,871,000 and amortization—$117,256,000 (at December 31, 1980—$56,464,000, $207,396,000 and $75,665,000 respectively).

6. Deferred Charges

Deferred charges consist of:

	1981	1980
At cost		
Heavy oil and oil sands projects	19,489	8,948
Polar Gas Project	16,397	15,372
Arctic Liquefied Natural Gas Project	17,515	10,899
Other	8,079	4,773
Net of amortization		
Debt issue expense	364	434
Marketing program	7,910	1,117
	69,754	41,543

7. Long-Term Debt

Long-term debt consists of:

	Maturity	1981	1980
In Canadian dollars			
Bank Income Debentures	1983	90,000	140,000
Promissory notes, bearing interest at prime rate	1985	20,692	
Unsecured loans, bearing interest at ½% above prime rate	1990	40,000	
Other loans and long-term obligations	1982-1997	5,741	4,349
In United States dollars			
9% unsecured notes ($56,250,000 US)	1996	66,641	71,116
8.45% unsecured notes ($30,000,000 US)	1987	35,545	35,539
5.25% unsecured notes ($18,200,000 US)	1985	21,747	26,351
5.75%—6.25% mortgages ($3,204,000 US)	1988	3,811	4,485
6.5% secured notes			1,235
		284,177	283,075
Less portion due within one year		73,135	61,668
		211,042	221,407

Bank Income Debentures

The Bank Income Debentures are held by a Canadian chartered bank and bear interest at approximately 49% (1980—50%) of the bank's prime lending rate as announced from time to time. No deduction is allowed under the Income Tax Act for interest expense relating to the Bank Income Debentures.

While the Bank Income Debentures are not secured by any charge against the assets of the Corporation, there are certain restrictions with respect to the disposition or encumbrance of the investment by the Corporation in a subsidiary company.

Repayment of long-term debt

Annual repayments of the 8.45% unsecured notes will commence in 1982. All the other issues are currently subject to minimum annual repayments.

The repayment of long-term debt in each of the next five years is as follows:

1982—$73,135,000, 1983—$73,194,000, 1984—$23,132,000, 1985—$26,662,000, 1986—$15,503,000.

8. Revolving Term Loan

During 1981 the Corporation entered into an agreement with two Canadian chartered banks providing for a three year revolving credit facility, amounting to $1.5 billion Canadian or the equivalent in US dollars, to finance the acquisition of Enterprises. The December 31, 1981 term loan balance includes $405,215,000 which is repayable in US funds in the amount of $337,567,000 US.

The term loan bears interest at floating rates. At December 31, 1981 the interest rate on both the Canadian dollar and the US dollar borrowings was approximately 17%.

The 1981 term loan borrowings are being repaid by funds from the Canadian Ownership Account (Note 10). Accordingly, the loan is reflected as non-current.

PETRO-CANADA—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1981—*Continued*

9. Preferred Shares Issued by a Subsidiary

The preferred shares issued by a subsidiary consist of 12,500,000 floating rate, cumulative, redeemable, non-voting, preferred shares issued at $100 US per share to a group of Canadian chartered banks.

The shares are redeemable, at the option of the subsidiary, at $100 US per share, plus accrued dividends.

Cumulative dividends, payable quarterly, are, at the option of the subsidiary, based on a percentage of either the United States Base Rates, or the London Inter-Bank Offered Rates of the banks. At December 31, 1981, the dividend rate was approximately 9% per annum.

Under the terms of an agreement between the banks and the Corporation, in the event that the subsidiary does not exercise its option to redeem the shares over a ten year period beginning December 31, 1983, or in the event of certain occurrences under the provisions of the agreement, the banks have the option to require the Corporation to purchase the shares at $100 US per share, plus accrued dividends.

10. Convertible Notes

The Corporation issued convertible notes to the Government of Canada in acknowledgement of funds received during 1981 from the Canadian Ownership Account. These funds were applied against the revolving term loan (Note 8). The Corporation will continue to receive funds available to the Canadian Ownership Account and issue convertible notes in acknowledgement thereof, until the portion of the revolving term loan, including interest thereon, applicable to the acquisition of Enterprises (Note 2), to a maximum of $1.7 billion, has been repaid.

The notes, which are non-interest bearing, will be converted into common shares of the Corporation. Interest on the revolving term loan has been reflected as deferred interest pending conversion of the notes which will create contributed surplus against which the deferred interest will be charged.

11. Capital

Authorized

The initial authorized capital of the Corporation was $500 million divided into 100 common shares of the par value of $5 million each. This was increased to 120 common shares on the acquisition of the capital stock of Panarctic Oils Ltd., previously owned by the Government of Canada.

Pursuant to the Petro-Canada Act, and subject to certain conditions and limitations as to the aggregate amount, the authorized capital of the Corporation is increased by the issue of preferred shares. Accordingly, at any time, the authorized and issued preferred shares are identical. The preferred shares have a par value of $1 each, are redeemable at par at the option of the Corporation, carry no stated rate of dividend and are non-cumulative.

The Government of Canada has proposed legislation to increase the authorized capital of the Corporation to a maximum of $5,500,000,000, in part to facilitate the conversion of the notes (Note 10).

Issued (to the Government of Canada):

	1981		1980	
	Number of Shares	Consideration	Number of Shares	Consideration
Common Shares				
Balance at beginning of year	116	580,000	116	580,000
In consideration for shares of Panarctic Oils Ltd. (Note 4)	4	20,000		
Balance at end of year	120	600,000	116	580,000
Preferred Shares				
Balance at beginning of year	423,799,853	423,800	343,799,853	343,800
For cash	440,000,000	440,000	80,000,000	80,000
In consideration for shares of Panarctic Oils Ltd. (Note 4)	972,000	972		
Balance at end of year	864,771,853	864,772	423,799,853	423,800

12. Income Taxes

The provision for income taxes of $225,174,000 (1980—$155,464,000) represents an effective rate of 52.5% (1980—48.8%) on earnings before income taxes of $429,018,000 (1980—$319,150,000). The provision has been computed as follows:

	1981	1980
Earnings before income taxes	429,018	319,150
Add (deduct)		
Royalties and other payments to Provincial Governments	264,392	213,231
Federal allowances		
Resource allowance	(152,619)	(132,791)
Tax depletion	(88,152)	(94,730)
Scientific research allowance	(14,078)	(2,173)
Frontier exploration allowances		(5,198)
Non-deductible interest on Bank Income Debentures	13,556	12,879
Petroleum and gas revenue tax	52,105	
Amortization of excess of attributed value over book value of assets acquired on purchase of subsidiary companies	65,923	48,520
Equity in earnings of affiliates	(20,998)	(16,026)
Other	3,896	(2,192)
	553,043	340,670
Combined Canadian Federal and Provincial income tax at 50.2% (1980—48.8%)	277,628	166,247
Deduct tax rebates and credits		
Provincial income tax rebate plans	(14,060)	(10,783)
Federal investment tax credit	(38,394)	
Provision for income taxes	225,174	155,464

13. Pension Plan

The present value of all unfunded past service pension obligations, based on actuarial computations, is approximately $20,200,000 at December 31, 1981, of which $16,200,000 was assumed on the acquisition of Enterprises.

Effective January 1, 1982, the Corporation integrated Enterprises' pension plan with its own plan. Certain amendments were required for the integration which resulted in an additional unfunded past service obligation of $13,500,000.

PETRO-CANADA—*Continued*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1981—*Continued*

14. Segmented Information

The Corporation operates principally in the following business segments:

Business Segment	Operations
Natural resources	Exploration, development and production activities for crude oil, natural gas, field liquids, sulphur, oil sands, coal and minerals.
Refined oil products	Purchase and sale of offshore oil (including transactions undertaken in accordance with Government of Canada directives); refining crude oil into oil products; distribution and marketing of these and other purchased refined oil products.
Natural gas liquids	Extraction of liquids from natural gas; transportation, distribution and marketing of the natural gas liquids.

The financial results of operations by business segment are as follows:

1981

	Natural Resources	Refined Oil Products	Natural Gas Liquids	Eliminations	Total
Sales to customers	626,465	1,756,618	263,282		2,646,365
Inter-segment transfers	71,272			(71,272)	
Total Operating Revenue	697,737	1,756,618	263,282	(71,272)	2,646,365
Product costs and operating expenses	181,893	1,538,250	167,489	(71,272)	1,816,360
Depreciation, depletion and amortization	113,530	28,248	15,344		157,122
Taxes other than income taxes	51,561	64,025			115,586
Total Operating Expenses	346,984	1,630,523	182,833	(71,272)	2,089,068
Operating Profit	350,753	126,095	80,449		557,297
Interest and other income					48,414
Equity in earnings of affiliates					20,998
Marketing, general and administrative expenses					(156,942)
Interest on long-term debt					(35,446)
Other interest					(5,303)
Provision for income taxes					(225,174)
					(353,453)
Net Earnings for Year Before Preferred Share Dividends of Subsidiary					203,844

1980

	Natural Resources	Refined Oil Products	Natural Gas Liquids	Eliminations	Total
Sales to customers	508,866	267,205	215,446		991,517
Inter-segment transfers	15,958	4,306		(20,264)	
Total Operating Revenue	524,824	271,511	215,446	(20,264)	991,517
Product costs and operating expenses	132,058	211,937	131,546	(20,264)	455,277
Depreciation, depletion and amortization	125,644	5,036	11,280		141,960
Taxes other than income taxes		16,119			16,119
Total Operating Expenses	257,702	233,092	142,826	(20,264)	613,356
Operating Profit	267,122	38,419	72,620		378,161
Interest and other income					27,611
Equity in earnings of affiliates					16,026
Marketing, general and administrative expenses					(79,798)
Interest on long-term debt					(22,850)
Provision for income taxes					(155,464)
					(214,475)
Net Earnings for Year Before Preferred Share Dividends of Subsidiary					163,686

PETRO-CANADA—*Concluded*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1981—*Concluded*

Inter-segment transfers are accounted for at market value.

The identifiable assets at December 31, and the amount of capital expenditures for the year, by business segment, are as follows:

	Identifiable Assets		Capital Expenditures	
	1981	1980	1981	1980
Natural resources	4,336,988	2,919,403	527,754	386,016
Refined oil products	1,419,042	223,085	80,358	17,399
Natural gas liquids	154,175	148,550	2,498	1,212
Other	702,328	475,728	99,271	34,906
	6,612,533	3,766,766	709,881	439,533

Other identifiable assets include cash and short-term deposits, investments in other companies, general corporate assets and miscellaneous corporate ventures.

15. Comparative Figures

Certain reclassifications have been made to the 1980 comparative figures to conform with the current year's presentation.

16. Commitments and Contingencies

(a) Commitments

In addition to commitments incurred in the ordinary course of business the Corporation has, at December 31, 1981, the following commitments:

(i) The Corporation is participating in the construction of an office complex in Calgary and is also participating in the construction of an offshore drilling vessel. These projects will require a commitment by the Corporation of approximately $222,000,000, which is expected to be financed by mortgage borrowings. In addition the Corporation has entered into a long-term lease for the use of the drilling vessel and has agreed to enter into a long-term lease for the use of the office complex.

(ii) The Corporation has leased certain offshore drilling vessels for periods of one to four years. The gross lease rentals will amount to approximately: 1982—$160,000,000, 1983—$167,000,000, 1984—$164,000,000 and 1985—$43,000,000. These vessels will be used by the Corporation in exploration projects carried out during the Canadian drilling season and the lease rentals will be shared with other participating companies. It is planned to sublease the drilling vessels while they are not being used in such projects.

(iii) The Corporation is a participant in a project operated by Syncrude Canada Ltd. to produce synthetic crude oil from the Athabasca Oil Sands. Associated with the Syncrude Project are facilities which are not owned by the participants, consisting of a steam and electricity generating plant, a field gas supply pipeline and a pipeline to transport plant product to Edmonton. The Corporation, together with the other participants, has minimum usage commitments relating to these facilities.

(b) Contingencies

(i) On January 9, 1980 the Atlantic Richfield Company served the Corporation and a subsidiary with a Statement of Claim requesting that the Corporation cause the subsidiary to pursue a monetary claim for $12,039,000 against the Government of Saskatchewan with respect to payments made by it under certain Saskatchewan legislation (subsequently determined to be unconstitutional) prior to the time the shares of the subsidiary were acquired by the Corporation from Atlantic Richfield Company. The Statement of Claim asks the court, inter alia, for certain injunctive relief and general damages in the amount of $20,000,000.

Prior to the service of the Statement of Claim, the subsidiary had executed an assignment and quitclaim agreement with the Government of Saskatchewan pursuant to which the payments made under the unconstitutional legislation were applied in satisfaction of an assessment under the Oil Well Income Tax Act, 1978 for the same period as the payments previously made.

In the opinion of management, based on the advice of counsel, no provision for the claim is required in the accounts of the Corporation.

(ii) Certain of the transactions previously referred to in Notes 4 and 11 and the reimbursement, if necessary, of an advance in the amount of $40,000,000 with interest, made in connection with the Cold Lake Project are subject to the enactment of proposed legislation by the Government of Canada.

ROYAL CANADIAN MINT

(Incorporated by the Royal Canadian Mint Act)

AUDITOR'S REPORT

THE HONOURABLE JEAN-JACQUES BLAIS, P.C., M.P.
MINISTER OF SUPPLY AND SERVICES

I have examined the balance sheet of the Royal Canadian Mint as at December 31, 1981 and the statements of earnings, reserve for losses and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements give a true and fair view of the financial position of the corporation as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change in the application of the method of billing for Canadian circulating coins as explained in Note 4 to the financial statements.

I further report that, in my opinion, proper books of account have been kept by the corporation, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

KENNETH M. DYE
Auditor General of Canada

Ottawa, Ontario
March 19, 1982

BALANCE SHEET AS AT DECEMBER 31, 1981

ASSETS	1981	1980	LIABILITIES	1981	1980
	$	$		$	$
Current			Current		
Cash	22,471,117	12,065,730	Accounts payable and accrued liabilities		
Accounts receivable			Government departments	2,266,015	5,423,170
Government departments	5,253,971		Other	5,905,828	7,724,446
Other	3,336,766	5,916,699	Payable to the Government of Canada		
Inventories (Note 6)	26,009,143	63,830,383	Accrued interest on long-term debt	468,105	515,493
Prepaid expenses (Note 7)	844,858	1,556,550	Current portion of long-term debt	2,131,785	2,131,785
	57,915,855	83,369,362	Earnings in excess of statutory limitations (Note 9)	35,057,639	39,147,087
Fixed (Note 8)			Deferred income (Note 10)	4,791,445	19,466,979
Land, buildings and equipment	26,187,697	24,539,874		50,620,817	74,408,960
Less: accumulated depreciation	11,932,904	10,256,034			
	14,254,793	14,283,840	Provision for employee termination benefits	2,551,821	2,114,447
			Long-term debt (Note 11)	17,998,010	20,129,795
				20,549,831	22,244,242
			EQUITY OF CANADA		
			Reserve for losses	1,000,000	1,000,000
	72,170,648	97,653,202		72,170,648	97,653,202

Approved:

G. A. LAHAIE
Vice-President, Administration and Finance

J. C. CORKERY
President

ROYAL CANADIAN MINT—*Continued*

STATEMENT OF EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	$	$
Revenue		
Gold Maple Leaf coins	429,035,280	837,240,059
Foreign contracts	59,284,706	25,324,793
Canadian numismatic coins	57,243,584	56,395,249
Canadian circulating coins	40,977,632	37,679,359
Refinery	2,541,168	3,957,800
Miscellaneous	1,142,245	300,821
	590,224,615	960,898,081
Expenses (Note 12)		
Cost of materials used	532,855,086	903,049,178
Salaries, wages and benefits	17,580,489	14,201,651
Transportation and communication	9,442,793	3,766,845
Advertising	5,162,500	3,357,096
Utilities and supplies	4,673,724	4,034,143
Professional and special services	3,183,300	1,959,271
Interest on long-term debt	1,908,682	2,096,907
Depreciation of fixed assets	1,676,870	1,521,811
Building and equipment rental	1,504,931	1,229,666
Repairs and maintenance	794,007	436,699
Security services	338,780	376,220
Grants in lieu of taxes	374,517	279,472
Leasehold improvements	14,844	147,209
Miscellaneous	14,309	84,057
	579,524,832	936,540,225
Net earnings for the year	10,699,783	24,357,856

STATEMENT OF RESERVE FOR LOSSES FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	$	$
Balance at beginning of the year	1,000,000	1,000,000
Net earnings for the year	10,699,783	24,357,856
	11,699,783	25,357,856
Payable to the Government of Canada— Earnings in excess of statutory limitations	10,699,783	24,357,856
Balance at end of the year	1,000,000	1,000,000

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	$	$
Source of funds		
Net earnings for the year	10,699,783	24,357,856
Items not requiring an outlay of funds		
Depreciation of fixed assets	1,676,870	1,521,811
Provision for employee termination benefits	437,374	272,537
	12,814,027	26,152,204
Use of funds		
Purchase of fixed assets	1,647,823	1,518,071
Earnings in excess of statutory limitations— Payable to the Government of Canada	10,699,783	24,357,856
Decrease in long-term debt	2,131,785	2,131,785
	14,479,391	28,007,712
Decrease in working capital	1,665,364	1,855,508
Working capital at beginning of the year	8,960,402	10,815,910
Working capital at end of the year	7,295,038	8,960,402

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1981

1. Governing statute and corporate objectives

The Mint was incorporated in 1969 by the Royal Canadian Mint Act and is an agent of Her Majesty named in Schedule C of the Financial Administration Act.

The principal objectives of the Mint are to:

(a) produce and arrange for the production and supply of coins of the currency of Canada;

(b) produce coins of the currency of countries other than Canada;

(c) melt, assay and refine gold, silver and other metals;

(d) buy and sell gold, silver and other metals;

(e) assay, refine, store and otherwise deal with gold, silver and other metals for the account of Her Majesty or others;

(f) prepare and store shipments of coin, gold, silver and other metals and to move such shipments to or from the Mint; and

(g) make medals, plaques and other devices.

2. Statutory financial limitations

In accordance with its governing statute, the Mint is subject to the following limitations:

(a) The Mint has within the Consolidated Revenue Fund a special account known as the Royal Canadian Mint Account, in which loans made and all moneys received and expended as well as repayment of loans are credited or charged;

(b) loans made to the Mint are made by the Minister of Finance on the recommendation of the Minister on such terms and conditions as are approved by the Governor in Council;

(c) loans made to the Mint for fixed assets and working capital may not in the aggregate exceed $35 million, which includes a maximum of $5 million for working capital;

(d) loans made to the Mint for temporary purposes may not in the aggregate exceed $1 million and each shall be repaid within twelve months from the day on which the loan is made; and

(e) the Mint may make a provision from earnings for a reserve against possible losses, but the aggregate amount in the reserve at any one time shall not exceed $1 million. Any earnings in excess of that required for the appropriation to the reserve and to cover previous losses shall be applied to the revenues of Canada.

3. Significant accounting policies

(a) Inventories

Finished goods, work in process and raw materials are valued at the lower of cost and net realizable value, cost being determined by the average cost method.

Operating and maintenance supplies inventory is valued at the lower of cost and replacement cost, cost being determined by the average cost method.

ROYAL CANADIAN MINT—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1981—*Continued*

(b) Fixed assets

Fixed assets are recorded at historical cost and depreciated under the straight-line method at the following annual rates:

	Rate
Land improvements	5%
Buildings	5%
Equipment	10%

(c) Translation of foreign currency transactions

Foreign currency transactions are translated at the exchange rate prevailing at the transaction date. Any asset or liability item expressed in foreign currency at the balance sheet date is translated into Canadian dollars at the rate prevailing at that date.

(d) Leasehold improvements

Leasehold improvements are charged to expense in the year they are incurred.

(e) Employee termination benefits

According to their collective agreement and terms of employment, the Mint employees are entitled to termination benefits. The liability for these benefits is recorded in the accounts when earned by the employees.

(f) Pension plan

The Mint employees participate in the Public Service Superannuation plan, which is administered by the Government of Canada. Contributions to the plan are required by both the employees and the Mint. These contributions represent the Mint's total debt and are recorded on a current basis.

4. Change in the application of the method of billing for Canadian circulating coins

Since 1979, the Mint has invoiced the Department of Finance for the value of raw materials used in the manufacture of its coins at the average monthly cost of its raw materials inventory, computed at the close of the period immediately preceding the end of production. During the year, the Mint modified its interpretation of the expression "period of production" as outlined in a letter of agreement with the Department of Finance and considered this period as beginning at the start of coin production.

As a result of this change, the net earnings for the current year were increased by $583,052. The earnings in excess of statutory limitations payable to the Government of Canada at January 1, 1981 were reduced by $2,693,690. This amount represents a reduction in net earnings for the years 1980 and 1979 of $569,276 and $2,124,414 respectively.

5. Correction to the accounting treatment of gold exchange sale transactions

In 1980, gold exchange sale transactions on the Gold Maple Leaf program were accounted as revenue in the year the coins were shipped. An examination of the contracts signed with the distributors revealed that the transactions were in fact leases. In 1981, the Mint decided to treat these sale transactions as leases and to adjust the 1980 financial statements retroactively.

As a result of this change, the net earnings for the current year were reduced by $227,598. The earnings in excess of statutory limitations payable to the Government of Canada at January 1, 1981 were reduced by $1,586,464, representing the amount by which net earnings for the year ended December 31, 1980 were reduced.

6. Inventories

	1981	1980
	$	$
Raw materials	15,703,939	35,650,584
Work in process	2,327,159	3,840,444
Finished goods	6,429,449	22,852,238
Operating and maintenance supplies	1,548,596	1,487,117
	26,009,143	63,830,383

In order to facilitate the production of the Gold Maple Leaf coin program, the Mint leases from the Department of Finance and a Canadian chartered bank the quantity of gold required and pays a leasing fee based on the value of gold established on the London market. As at December 31, 1981, a total of 1,007,204 ounces were leased and were not reflected in the financial statements.

7. Prepaid expenses

	1981	1980
	$	$
Insurance, postage and freight	225,049	683,447
Advertising	283,811	443,439
Manufacturing expenses	207,109	359,702
Other	128,889	69,962
	844,858	1,556,550

8. Fixed assets

	1981			1980
	Cost	Accumulated depreciation	Net book value	Net book value
	$	$	$	$
Land	626,178		626,178	626,178
Land improvements	983,848	342,388	641,460	690,652
Buildings	10,774,026	3,746,019	7,028,007	7,566,407
Equipment	13,803,645	7,844,497	5,959,148	5,400,603
	26,187,697	11,932,904	14,254,793	14,283,840

9. Payable to the Government of Canada—Earnings in excess of statutory limitations

	1981	1980
	$	$
Balance at beginning of the year		
As previously reported	43,427,241	16,913,645
Prior years adjustments (Notes 4 and 5)	(4,280,154)	(2,124,414)
As restated	39,147,087	14,789,231
Earnings in excess of statutory limitations for the year	10,699,783	24,357,856
	49,846,870	39,147,087
Amount paid during the year	16,913,645	
Excess of amount paid during the year over the balance restated at January 1, 1980	(2,124,414)	
	14,789,231	
Balance at end of the year	35,057,639	39,147,087

10. Deferred income

	1981	1980
	$	$
Advance payments on numismatic sales	2,570,769	7,909,634
Premium on gold exchange sale transactions	1,161,348	2,061,608
Advance payments on foreign contracts	1,059,328	9.495,737
	4,791,445	19,466,979

ROYAL CANADIAN MINT—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1981—*Concluded*

11. Long-term debt

Loans from the Government of Canada bear interest at various annual rates ranging from 7.625% to 10.125%, payable according to the following schedule:

	$
1982	2,131,785
1983	2,131,785
1984	6,971,785
1985	2,131,785
1986	1,531,785
	14,898,925
1987 to 1998	5,230,870
	20,129,795
Less: current portion of long-term debt	2,131,785
	17,998,010

12. Additional information on cost of goods sold

The cost of goods sold, included in the 1981 expenses, amounts to $555,450,771 ($920,610,028 in 1980) and is detailed as follows:

	1981	1980
	$	$
Raw materials	532,855,086	903,049,178
Direct labour	3,019,538	3,081,838
Manufacturing overhead expenses	19,576,147	14,479,012
	555,450,771	920,610,028

13. Related party transactions

In addition to the transactions conducted with the Government of Canada referred to in Notes 2, 9 and 11, the Mint conducted during the year transactions with the Department of Finance as follows:

	Ounces
Refinement and borrowing of gold	955,100
Purchases of gold and silver	888,851
Sales of silver	77,539

14. Contingencies

(a) The result of a claim of $12,000,000 against the Mint for an alleged infringement of copyright on the design of a certain coin is uncertain. Management and the Mint's legal adviser are of the opinion that the claim is neither properly founded nor supported and will not result in a loss to the Mint. Therefore, no provision for contingency was established.

(b) The Mint has filed a claim for faulty construction at its Winnipeg plant. The amount of settlement cannot be ascertained as at December 31, 1981.

(c) A parcel of land owned by the Mint was granted to the City of Winnipeg for the purpose of widening a major municipal artery. A memorandum of agreement was signed with the City's officials but not ratified by City Council. It is therefore difficult to determine the amount the Mint will realize on this sale.

Settlements resulting from the resolution of the above contingencies will be accounted for as prior years adjustments, except for the parcel of land granted to the City of Winnipeg, which will be accounted for in the year in which the settlement occurs.

15. Commission to an agent

The total commission earned by Comarex A.G., Switzerland, an agent of the Royal Canadian Mint for the sales of numismatic coins, amounts to $468,934 in 1981 ($667,948 in 1980).

16. Comparative figures

Certain figures of the 1980 financial statements have been reclassified to conform to the presentation adopted in 1981.

ROYAL CANADIAN MINT

(Incorporated by the Royal Canadian Mint Act)

AUDITOR'S REPORT

THE HONOURABLE JEAN-JACQUES BLAIS, P.C., M.P.
MINISTER OF SUPPLY AND SERVICES

I have examined the balance sheet of the Royal Canadian Mint as at December 31, 1980 and the statements of earnings, reserve for losses and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements give a true and fair view of the financial position of the corporation as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the corporation, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

During our audit of the 1980 financial statements, we noted that the Corporation had, in prior years as well as after December 31, 1980, engaged in the business practice of discharging certain of its debts by making payments to third parties in Switzerland and Belgium on account of and pursuant to the written direction of one of the Corporation's foreign distributors. Our examination has revealed that the Corporation, pursuant to an agreement to share advertising and promotional expenses incurred by a foreign distributor, has, on the latter's written instructions, made payments totalling approximately $58,000 to third parties in countries other than that of the foreign distributor's place of business. The Board of Directors and senior officers of the Royal Canadian Mint were informed that, in my opinion, these practices were inconsistent with the intent of the Government policy and guidelines relating to the commercial practices of Crown corporations as announced in the House of Commons on December 16, 1976. In October 1981, in view of the concern of our Office, the Board of Directors directed that management discontinue these practices. My Office will continue to monitor this matter.

KENNETH M. DYE
Auditor General of Canada

Ottawa, Ontario
October 19, 1981

BALANCE SHEET AS AT DECEMBER 31, 1980

ASSETS	1980	1979
	$	$
Current		
Cash	12,065,730	11,244,404
Accounts receivable		
Government departments	1,921,929	4,260,621
Other	5,916,699	3,966,348
Inventories (Note 4)	63,355,239	23,336,541
Prepaid expenses (Note 5)	1,556,550	104,107
	84,816,147	42,912,021
Fixed (Note 6)		
Land, buildings and equipment	24,539,874	23,038,234
Less: accumulated depreciation	(10,256,034)	(8,750,654)
	14,283,840	14,287,580
	99,099,987	57,199,601

LIABILITIES	1980	1979
	$	$
Current		
Accounts payable and accrued liabilities		
Government departments	4,651,409	6,019,677
Other	7,724,446	4,869,328
Payable to the Government of Canada		
Accrued interest on long-term debt	515,493	562,908
Current portion of long-term debt	2,131,785	2,131,785
Earnings in excess of statutory limitations (Note 7)	43,427,241	16,913,645
Deferred income (Note 8)	17,405,371	1,598,768
	75,855,745	32,096,111
Provision for employee termination benefits	2,114,447	1,841,910
Long-term debt (Note 9)		
Government of Canada loans	20,129,795	22,261,580
	22,244,242	24,103,490
EQUITY OF CANADA		
Reserve for losses (Note 2)	1,000,000	1,000,000
	99,099,987	57,199,601

The accompanying notes are an integral part of the financial statements.

Approved:

Y. GARIEPY
President

G. LAHAIE
Vice-President, Finance and Administration

ROYAL CANADIAN MINT—*Continued*

STATEMENT OF EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1980

	1980	1979
	$	$
Revenue		
Gold Maple Leaf Coins	908,021,930	431,497,211
Canadian numismatic coins	56,395,249	63,995,243
Canadian circulating coins	38,248,635	46,080,453
Foreign contracts	25,324,793	7,759,287
Refinery	3,957,800	2,297,697
Miscellaneous	300,821	343,197
	1,032,249,228	551,973,088
Expenses (Note 10)		
Cost of materials used	972,985,158	505,588,115
Salaries, wages and benefits	14,201,651	13,033,126
Transportation and communication	3,766,845	2,303,374
Advertising	3,357,096	4,064,878
Utilities and supplies	3,293,570	2,343,668
Interest on long-term debt	2,096,907	2,301,159
Professional and special services	1,959,271	1,875,881
Depreciation of fixed assets	1,521,811	1,457,681
Building and equipment rental	1,229,666	1,048,180
Repairs and maintenance	436,699	253,825
Security services	376,220	432,283
Grants in lieu of taxes	279,472	258,628
Leasehold improvements	147,209	
Miscellaneous	84,057	98,645
	1,005,735,632	535,059,443
Net earnings for the year (Note 2)	26,513,596	16,913,645

The accompanying notes are an integral part of the financial statements.

STATEMENT OF RESERVE FOR LOSSES FOR THE YEAR ENDED DECEMBER 31, 1980

	1980	1979
	$	$
Balance at beginning of the year	1,000,000	1,000,000
Net earnings for the year	26,513,596	16,913,645
	27,513,596	17,913,645
Payable to the Government of Canada—Earnings in excess of statutory limitations	26,513,596	16,913,645
Balance at end of the year	1,000,000	1,000,000

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1980

	1980	1979
	$	$
Funds provided		
Net earnings for the year	26,513,596	16,913,645
Items not requiring an outlay of funds:		
Depreciation of fixed assets	1,521,811	1,457,681
Provision for employee termination benefits	272,537	36,910
	28,307,944	18,408,236
Funds applied		
Purchase of fixed assets	1,518,071	732,037
Earnings in excess of statutory limitations	26,513,596	16,913,645
Decrease in the long-term debt with the Government of Canada	2,131,785	2,131,785
	30,163,452	19,777,467
Decrease in working capital	1,855,508	1,369,231
Working capital at beginning of the year		
As previously reported	11,080,981	12,185,141
Reclassification of the provision for annual leave in current liabilities	(265,071)	
As restated	10,815,910	12,185,141
Working capital at end of the year	8,960,402	10,815,910

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1980

1. Governing statute and corporate objectives

The Mint was incorporated in 1969 by the Royal Canadian Mint Act and is an agent of Her Majesty named in Schedule C of the Financial Administration Act.

The principal objectives of the Mint are to:

(a) produce and arrange for the production and supply of coins of the currency of Canada;

(b) produce coins of the currency of countries other than Canada;

(c) melt, assay and refine gold, silver and other metals;

(d) buy and sell gold, silver and other metals;

(e) assay, refine, store and otherwise deal with gold, silver and other metals for the account of Her Majesty or others;

(f) prepare and store shipments of coin, gold, silver and other metals and to move such shipments to or from the Mint; and

(g) make medals, plaques and other devices.

2. Statutory financial limitations

In accordance with its governing statute, the Mint is subject to the following limitations:

(a) The Mint has within the Consolidated Revenue Fund a special account known as the Royal Canadian Mint Account, in which loans made and all moneys received and expended as well as repayment of loans are credited or charged to the account;

(b) loans made to the Mint are made by the Minister of Finance on the recommendation of the Minister on such terms and conditions as are approved by the Governor in Council;

ROYAL CANADIAN MINT—*Continued*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1980—*Continued*

(c) loans made to the Mint for fixed assets and working capital may not in the aggregate exceed $35 million, which includes a maximum of $5 million for working capital;

(d) loans made to the Mint for temporary purposes may not in the aggregate exceed $1 million and each shall be repaid within twelve months from the day on which the loan is made; and

(e) the Mint may make a provision from earnings for a reserve against possible losses, but the aggregate amount in the reserve at any one time shall not exceed $1 million. Any earnings in excess of that required for the appropriation to the reserve and to cover previous losses shall be applied to the revenues of Canada.

3. Significant accounting policies

(a) Inventories

Finished goods, work in process and raw materials are valued at the lower of cost and net realizable value, cost being determined by the average cost method.
Operating and maintenance supplies inventory is valued at the lower of cost and replacement cost, cost being determined by the average cost method.

(b) Fixed assets

Fixed assets are recorded at historical cost and depreciated under the straight-line method and at the following annual rates:

	Rate
Land improvements	5%
Buildings	5%
Equipment	10%

(c) Translation of foreign currency transactions

Foreign currency transactions are translated at the exchange rate prevailing at the transaction date. Any asset or liability item expressed in foreign currency at the balance sheet date is translated into Canadian dollars at the rate prevailing at that date.

(d) Leasehold improvements

Leasehold improvements are charged to expense in the year they are incurred.

(e) Employee termination benefits

According to their collective agreement and terms of employment, the Mint employees are entitled to termination benefits. The liability for these benefits is recorded in the accounts when earned by the employees.

(f) Pension plan

The Mint employees participate in the Public Service Superannuation plan, which is administered by the Government of Canada. Contributions to the plan are required by both the employees and the Mint. These contributions represent the Mint's total debt and are recorded on a current basis.

(g) Mint displays

The Mint maintains displays of minted products in Ottawa and Winnipeg. These contain Canadian and foreign coins and medals of undetermined value. As these coins are not intended for resale, they are excluded from the accounts.

4. Inventories

	1980	1979
	$	$
Raw materials	35,650,584	13,241,374
Work in process	3,840,444	6,106,300
Finished goods	22,377,094	2,763,479
Operating and maintenance supplies	1,487,117	1,225,388
	63,355,239	23,336,541

5. Prepaid expenses

	1980	1979
	$	$
Insurance, postage and freight	683,447	72,015
Advertising	443,439	12,390
Manufacturing expenses	359,702	19,702
Other	69,962	
	1,556,550	104,107

6. Fixed assets

	1980			1979
	Cost	Accumulated depreciation	Net value	Net value
	$	$	$	$
Land	626,178		626,178	626,178
Land improvements	983,848	293,196	690,652	739,845
Buildings	10,773,725	3,207,318	7,566,407	8,124,450
Equipment	12,156,123	6,755,520	5,400,603	4,797,107
	24,539,874	10,256,034	14,283,840	14,287,580

7. Earnings in excess of statutory limitations

	1980	1979
	$	$
Balance at beginning of the year	16,913,645	4,571,715
Earnings in excess of statutory limitations for the year	26,513,596	16,913,645
	43,427,241	21,485,360
Amount paid during the year to the Government of Canada		4,571,715
Balance at end of the year	43,427,241	16,913,645

8. Deferred income

	1980	1979
	$	$
Advance payments on foreign contracts	9,495,737	1,354,030
Advance payments on numismatic sales	7,909,634	244,738
	17,405,371	1,598,768

ROYAL CANADIAN MINT—*Concluded*

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1980—*Concluded*

9. Long-term debt

Loans from the Government of Canada bear interest at various annual rates ranging from 7.625% to 10.125%, payable according to the following schedule:

	$
1981	2,131,785
1982	2,131,785
1983	2,131,785
1984	6,971,785
1985	2,131,785
	15,498,925
1986 to 1998	6,762,655
	22,261,580
Less: current portion of long-term debt	2,131,785
	20,129,795

10. Additional information on cost of goods sold

The cost of goods sold, included in the 1980 expenses, amounts to $989,759,363 and is detailed as follows:

	$
Raw materials	972,939,086
Direct labour	3,081,838
Manufacturing overhead expenses	13,738,439
	989,759,363

11. Contingencies

The result of a claim of $12,000,000 against the Mint for an alleged infringement of coypright on the design of a certain coin is uncertain. Management as well as the Mint's legal adviser are of the opinion that the claim is neither properly founded nor supported and will not result in a loss to the Mint. Accordingly, a provision for a contingency was not established.

The Mint has filed a claim for faulty construction of the Mint's building in Winnipeg. At the present time, the amount of this claim cannot be ascertained.

Any settlements resulting from the resolution of the above contingencies will be accounted for as prior year adjustments.

12. Commission to an agent

The total commission earned by Comarex A.G., Switzerland, as an agent of the Royal Canadian Mint, for the sales of numismatic coins amounts to $667,948 in 1980 ($556,107 in 1979).

13. Comparative figures

Certain figures of the 1979 Financial Statements have been reclassified to conform to the presentation adopted in 1980.

14. Additional information

(a) Safekeeping

As at December 31, 1980, the Mint held the following inventories which were excluded from its accounts:

On behalf of the Department of Finance:

	$
Gold and silver at year end market value	108,721,119
Coins at face value	12,536,125
	121,257,244

On behalf of third parties:

	$
Gold and silver at year end market value	87,491,456
Unprocessed ore at approximate market value	84,525,015
	172,016,471
	293,273,715

(b) Standby arrangements for gold

As at December 31, 1980, the Mint had on hand 990,118 ounces of fine gold, having a market value of $696,795,286, which was owned by the Department of Finance and a Canadian chartered bank. This gold is principally used to facilitate the production of the Gold Maple Leaf Coin Program. The Mint pays a rental fee for this gold based on the daily amount outstanding valued at the afternoon London fixings.

THE ST. LAWRENCE SEAWAY AUTHORITY

AUDITOR'S REPORT

THE HONOURABLE JEAN-LUC PEPIN, P.C., M.P
MINISTER OF TRANSPORT

I have examined the balance sheet of The St. Lawrence Seaway Authority as at March 31, 1982 and the statements of operations, deficit and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements give a true and fair view of the financial position of the Authority as at March 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Authority, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

KENNETH M. DYE
Auditor General of Canada

Ottawa, Ontario
May 14, 1982

BALANCE SHEET AS AT MARCH 31, 1982

ASSETS	1982	1981
	$	$
Current		
Cash and term deposits	12,548,315	8,534,086
Accounts receivable	902,060	2,811,796
Accrued interest receivable	2,019,582	1,970,243
Supplies inventory, at cost	2,093,568	1,929,949
	17,563,525	15,246,074
Long-term receivables (Note 3)	860,488	680,058
Investments		
Canada bonds (market value $30,206,250, 1981 – $32,883,625)	40,497,288	41,491,038
Subsidiary companies (Note 4)	9,600	9,600
	40,506,888	41,500,638
Fixed (Note 5)		
Land, locks, canals and other deep-waterway facilities	790,123,152	784,827,223
Less accumulated depreciation	182,498,211	174,883,950
	607,624,941	609,943,273
	666,555,842	667,370,043

LIABILITIES	1982	1981
	$	$
Current		
Accounts payable	2,960,535	3,457,472
Accrued liabilities	3,533,510	4,276,967
	6,494,045	7,734,439
Long-term		
Deferred interest (Note 6)	210,000,000	210,000,000
Accrued employee termination benefits	12,033,039	10,437,833
	222,033,039	220,437,833
	228,527,084	228,172,272
EQUITY OF CANADA		
Contributed capital (Note 6)	624,950,000	624,950,000
Deficit	(186,921,242)	(185,752,229)
	438,028,758	439,197,771
	666,555,842	667,370,043

Approved:

W. A. O'NEIL
President

R. J. FORGUES
Comptroller and Treasurer

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1982

	Montreal-Lake Ontario Section	Welland Section	Thousand Islands Bridge	Total	
				1982	1981
	$	$	$	$	$
Revenues					
Tolls	24,818,780	23,138,022		47,956,802	46,849,545
Other	1,160,907	2,498,863	389,657	4,049,427	3,512,689
	25,979,687	25,636,885	389,657	52,006,229	50,362,234
Expenses					
Operation	5,664,106	8,030,812		13,694,918	12,501,970
Maintenance	8,526,623	10,752,091	77,734	19,356,448	18,714,457
Administration	3,682,586	3,651,546	136,136	7,470,268	6,723,223
Headquarters	3,710,574	4,406,554	36,000	8,153,128	7,396,358
Research and development	79,727	94,680		174,407	1,042,873
Depreciation	3,918,233	4,631,716	23,589	8,573,538	8,525,216
Employee termination benefits	951,221	1,261,237		2,212,458	1,607,052
	26,533,070	32,828,636	273,459	59,635,165	56,511,149
(Loss) income from operations	(553,383)	(7,191,751)	116,198	(7,628,936)	(6,148,915)
Investment income	2,872,737	3,411,567		6,284,304	5,328,254
Insurance premiums refunded	75,323	100,296		175,619	901,645
(Loss) net income for the year	2,394,677	(3,679,888)	116,198	(1,169,013)	80,984

STATEMENT OF DEFICIT
FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Balance, beginning of the year	185,752,229	185,833,213
Loss (net income) for the year	1,169,013	(80,984)
Balance, end of the year	186,921,242	185,752,229

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1982

	1982	1981
	$	$
Funds provided		
Operations		
(Loss) net income for the year	(1,169,013)	80,984
Items not requiring an outlay of funds		
Depreciation	8,573,538	8,525,216
Employee termination benefits	1,595,206	972,850
(Gain) loss on disposal of fixed assets	(238,441)	81,000
	8,761,290	9,660,050
Instalments on long-term receivables	159,090	86,606
Proceeds from sale of Canada bonds	993,750	
Proceeds on disposal of fixed assets	870,409	127,052
	10,784,539	9,873,708
Funds applied		
Increase in long-term receivables	339,520	
Fixed asset additions	6,887,174	4,604,028
	7,226,694	4,604,028
Increase in working capital	3,557,845	5,269,680
Working capital, beginning of the year	7,511,635	2,241,955
Working capital, end of the year	11,069,480	7,511,635

THE ST. LAWRENCE SEAWAY AUTHORITY—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1982

1. Objectives and operations

The St. Lawrence Seaway Authority was established in 1954 under The St. Lawrence Seaway Authority Act and is classified as a proprietary Crown corporation under Schedule D of the Financial Administration Act.

The Authority was established to construct and operate a deep waterway between the Port of Montreal and Lake Erie together with such works and other property, including bridges incidental to the deep waterway, as deemed necessary by the Governor in Council.

2. Significant accounting policies

(a) Investment in Canada bonds

The investment in Canada bonds is recorded at cost. All gains or losses, including any premiums or discounts on acquisition, are recognized when the bonds are sold.

(b) Investment in subsidiary companies

The investment in subsidiary companies is recorded at cost. The financial statements of the subsidiaries have not been consolidated in these financial statements because increases in the equity of the subsidiaries do not accrue to the Authority. Separate financial statements for the subsidiary companies are available to the public and condensed financial statements are included in Note 4.

(c) Fixed assets

Fixed assets are recorded at cost. All additions, replacements or major improvements which increase the capacity of the deep waterway system are capitalized. Repairs and maintenance are charged to operations as incurred. The cost of assets sold, retired, or abandoned, and the related accumulated depreciation are removed from the accounts on disposal. Gains or losses on disposals are credited or charged to operations.

Depreciation is recorded on the straight-line method based on the estimated useful lives of the assets.

(d) Employee termination benefits

Employees of the Authority are entitled to specified benefits on termination as provided for under labour contracts and conditions of employment. The liability for these benefits is recorded in the accounts as the benefits accrue to employees.

(e) Pension plan

All employees of the Authority are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Authority. These contributions represent the total liability of the Authority and are recognized in the accounts on a current basis.

(f) Revenue recognition

The Authority recognizes revenues from tolls based upon the shipping season which normally corresponds to the Authority's fiscal year commencing April 1. In the event that the season opens prior to April 1, the revenues earned are deferred until the commencement of the new fiscal year.

(g) Grants in lieu of taxes

Grants in lieu of municipal and school taxes are expensed when paid.

3. Long-term receivables

The Authority has entered into long-term contractual agreements for the sale of two parcels of land and for the recovery of costs associated with the construction of certain facilities.

These amounts are being collected in annual instalments in accordance with the terms of the contractual agreements. An amount of $305,568 is non-interest bearing, and the balance bears interest at rates of 5 ¼% and 5 ½%.

4. Subsidiary companies

The investment in subsidiaries consists of the cost of the shares of the following wholly-owned subsidiaries:

	$
Great Lakes Pilotage Authority, Ltd. (G.L.P.A.)	1,500
The Jacques Cartier and Champlain Bridges Incorporated (J.C.C.B.)	100
The Seaway International Bridge Corporation, Ltd. (S.I.B.C.)	8,000
	9,600

Condensed financial statements for these subsidiaries for their most recently completed fiscal year follow:

	G.L.P.A. Dec. 31/81	J.C.C.B. Mar. 31/82	S.I.B.C. Dec. 31/81
	$	$	$
Balance sheet			
Assets			
Current	2,848,770	4,630,570	267,482
Fixed	58,627	25,299,815	55,139
	2,907,397	29,930,385	322,621
Liabilities			
Current	2,450,710	1,439,051	90,234
Long-term	2,552,837	111,435,101	224,387
	5,003,547	112,874,152	314,621
Deficit	2,096,150	82,943,767	(8,000)
Statement of operations			
Revenues	9,059,815	6,465,783	1,295,832
Expenses	9,977,387	10,059,963	979,928
Bridge user charge paid to the Authority			315,904
Loss for the year	917,572	3,594,180	

THE ST. LAWRENCE SEAWAY AUTHORITY—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1982—*Concluded*

5. Fixed assets

	Depreciation Rate	1982			1981
		Cost	Accumulated Depreciation	Net	Net
		$	$	$	$
Land		30,948,500		30,948,500	31,509,980
Buildings	2%	11,991,180	5,520,148	6,471,032	6,643,018
Channels and canals	1%	243,772,561	53,728,369	190,044,192	191,784,903
Locks	1%	229,483,835	71,069,829	158,414,006	159,467,761
Bridges	2%	41,100,838	19,532,450	21,568,388	20,843,552
Tunnels	2%	46,469,412	8,596,841	37,872,571	38,801,959
Movable equipment	2-20%	11,370,247	5,431,951	5,938,296	5,741,709
Interest during construction		32,822,016		32,822,016	32,822,016
Remedial works—Expenditures on properties owned by others, relating to Seaway construction	1%	134,018,970	18,618,623	115,400,347	116,740,537
Works under construction		8,145,593		8,145,593	5,587,838
		790,123,152	182,498,211	607,624,941	609,943,273

No depreciation has been provided on interest of $32,822,016 capitalized during construction of the Welland Modernization Project. It is anticipated that the interest will be cancelled and reversed as part of the second phase of the refinancing of the Authority.

6. Equity financing

As of April 1, 1977, loans from Canada of $624,950,000 were converted to equity by parliamentary appropriation. The unpaid interest on these loans is reflected on the balance sheet as deferred interest. This deferred interest, on which no further accrual of interest is required, is not classified as a current liability because it is the intention of the Authority to seek approval from Parliament to have the unpaid interest forgiven.

The parliamentary appropriation authorizing the 1977 conversion of loans from Canada to equity also authorized the Minister to fix, from time to time, the amount that shall be paid by the Authority annually out of its toll revenue as a return on capital. No return on capital has been required to be paid for the 1982 and 1981 fiscal years.

7. Income Taxes

The Authority, as a Schedule D Crown corporation, is subject to the provisions of the Income Tax Act. The Authority is not subject to any provincial income taxes.

To date, accumulated loss carry-forwards from previous years have been sufficient to offset taxable income. However, no losses are available to offset any taxable income after the 1982 fiscal year.

The Authority has, for fixed assets, undepreciated capital cost for tax purposes in excess of net book value for accounting purposes of approximately $175,000,000. The tax effect of this excess has not been recorded in the accounts.

The Authority has incurred research and development costs of approximately $6,000,000 and will apply, under Section 37 of the Income Tax Act, to have these costs deferred and made available to reduce the taxable income of future periods.

The Authority also has unused investment tax credits of approximately $526,000 available to reduce future taxes payable. These tax credits expire in varying amounts up to March 31, 1987.

8. Contingencies and commitments

In connection with its operations, the Authority is the claimant or defendant in certain pending or threatened claims and lawsuits. It is the opinion of management that these actions will not result in any material liabilities to the Authority.

Contractual expenditures, committed but not expended, at March 31, 1982 amounted to $880,988 (1981—$3,034,487).

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.

(Continued under the Canada Business Corporations Act)

AUDITOR'S REPORT

THE HONOURABLE JEAN-LUC PEPIN, P.C., M.P.
MINISTER OF TRANSPORT

I have examined the balance sheet of The Seaway International Bridge Corporation, Ltd. as at December 31, 1981 and the statements of operations and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

RAYMOND DUBOIS
Deputy Auditor General
for the Auditor General of Canada

Ottawa, Ontario
February 9, 1982

BALANCE SHEET AS AT DECEMBER 31, 1981

ASSETS	1981	1980
	$	$
Current		
Cash and short-term deposits	260,698	198,562
Accounts receivable	6,784	3,486
	267,482	202,048
Fixed		
Equipment, at cost	132,204	117,460
Less: accumulated depreciation	77,065	71,243
	55,139	46,217
	322,621	248,265

LIABILITIES	1981	1980
	$	$
Current		
Accounts payable	30,598	23,719
Due to The St. Lawrence Seaway Authority	45,904	20,493
Deferred income	13,732	11,216
	90,234	55,428
Accrued employee termination benefits	216,387	176,837
Debentures payable (Note 3)	8,000	8,000
	314,621	240,265
SHAREHOLDER'S EQUITY		
Capital stock		
Authorized—An unlimited number of common shares		
Issued and fully paid—8 shares	8,000	8,000
Retained earnings		
	8,000	8,000
	322,621	248,265

Approved by the Board:

W. A. O'NEIL
President and Director

D. W. OBERLIN
Vice-President and Director

THE SEAWAY INTERNATIONAL BRIDGE CORPORATION, LTD.—*Concluded*

STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	$	$
Income		
Tolls	1,177,617	900,042
Rentals	57,707	45,561
Interest	50,839	34,991
Other	9,669	6,418
	1,295,832	987,012
Expenses		
Salaries and wages	658,929	487,367
Other employee benefits	99,756	55,345
Maintenance, materials and services	82,932	244,041
Employee termination benefits	39,550	48,355
Grants in lieu of municipal taxes	17,272	15,730
Rental of toll collection machines	15,700	15,743
Depreciation	13,603	11,960
Insurance	13,001	6,340
Electricity	10,320	9,782
Office supplies	9,386	8,749
Other	19,479	13,107
	979,928	916,519
Income before bridge user charge	315,904	70,493
Bridge user charge (Note 4)	315,904	70,493
Net income for the year		

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	$	$
Funds provided		
Operations		
Net income for the year		
Items not requiring an outlay of funds		
Employee termination benefits	39,550	48,355
Depreciation	13,603	11,960
	53,153	60,315
Funds applied		
Additions to fixed assets	22,525	47,990
Payments of employee termination benefits		39,412
	22,525	87,402
Increase (decrease) in working capital	30,628	(27,087)
Working capital, beginning of the year	146,620	173,707
Working capital, end of the year	177,248	146,620

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1981

1. Nature of activities

The Seaway International Bridge Corporation, Ltd., a wholly owned subsidiary of The St. Lawrence Seaway Authority, was incorporated for the purpose of operating and managing the international toll bridge system between Cornwall, Ont., and Rooseveltown, N.Y., on behalf of The St. Lawrence Seaway Authority and the Saint Lawrence Seaway Development Corporation.

2. Significant accounting policies

Depreciation

Depreciation of equipment is based on the estimated useful life of the assets calculated on a straight-line basis at the following annual rates:

Automotive	20%
Office and shop	10%
Toll equipment	10%

Employee termination benefits

Employees of the Corporation are entitled to specified benefits on termination as provided for under the conditions of employment. The liability for these benefits is recorded in the accounts as the employees become entitled to the benefits.

Pension plan

All employees of the Corporation are covered by the Public Service Superannuation Plan administered by the Government of Canada. Contributions to the Plan are required from both the employee and the Corporation. These contributions represent the total pension liability of the Corporation and are recognized in the accounts on a current basis.

Deferred income

Unredeemed toll tokens are recorded as deferred income.

3. Debentures payable

The debentures due on December 31, 2012 are non-interest bearing and payable to the Saint Lawrence Seaway Development Corporation.

4. Bridge user charge

By agreement between The St. Lawrence Seaway Authority and the Saint Lawrence Seaway Development Corporation, the annual income from the bridge system after all operating expenses, is paid as a bridge user charge, first to the Authority to offset the amortization of the cost of the North Channel Bridge together with interest, then to the Development Corporation to offset the amortization of the cost of Racquette River Bridge, and the balance, if any, is then divided equally between both parties.

All bridge user charges since the commencement of operations have been paid to The St. Lawrence Seaway Authority.

5. Related party transactions

The Seaway International Bridge Corporation, Ltd. receives certain administrative services, without charge from The St. Lawrence Seaway Authority.

TELEGLOBE CANADA
(*Established by the Teleglobe Canada Act*)

AUDITOR'S REPORT

THE HONOURABLE FRANCIS FOX, P.C., M.P.
MINISTER OF COMMUNICATIONS

I have examined the balance sheet of Teleglobe Canada as at March 31, 1982 and the statements of income, retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances, except as explained in the following paragraph.

As described in Note 5 to the financial statements, partnership accounts in respect of the Commonwealth Telecommunications Organisation's financial arrangements have been finalized only to March 31, 1976 under the current Agreement. For those years in respect of which accounts have not been finalized, the Corporation has included estimated amounts recoverable from the partnership in income, and has provided in its liabilities for the excess of provisional settlements received over the estimated recoverable amounts. However, available information is not adequate to enable me to assess the probable results of the final settlements for those years. Consequently, I am unable to determine whether adjustments to current liabilities, income tax, retained earnings, net income and funds derived from operations might be necessary.

In my opinion, except for the effects of adjustments, if any, which I might have determined to be necessary if I had been able to satisfy myself with respect to the estimated recoverable amounts and the excess of provisional settlements received over the estimated recoverable amounts described in the previous paragraph, these financial statements give a true and fair view of the financial position of the Corporation as at March 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

KENNETH M. DYE
Auditor General of Canada

Ottawa, Ontario
May 17, 1982

BALANCE SHEET AS AT MARCH 31
(in thousands of dollars)

ASSETS	1982	1981
Current		
Cash and temporary investments, at cost (approximates market value)	119,571	97,547
Accounts receivable	79,206	58,164
Prepaid expenses	1,797	1,201
	200,574	156,912
Fixed assets (Note 3)	197,671	174,561
Deferred charges (Note 4)	1,179	615
	399,424	332,088

LIABILITIES	1982	1981
Current		
Accounts payable	94,960	76,706
Income tax payable	8,472	7,158
Estimated amount due to Commonwealth Telecommunications Organisation Partners (Note 5)	13,147	12,572
Installments on long-term debt due within one year (Note 6)	3,170	3,007
	119,749	99,443
Long-term debt (Note 6)	15,519	12,387
Deferred credits		
Income tax (Note 7)	24,309	20,105
Other deferred credits	548	527
	24,857	20,632
EQUITY OF CANADA		
Retained earnings	239,299	199,626
	399,424	332,088

On behalf of the Board:

RONALD MONTCALM
Director

DONALD L. GILLIS
Director

JEAN CLAUDE DELORME
President and Chief Executive Officer

TELEGLOBE CANADA—*Continued*

INCOME
YEAR ENDED MARCH 31
(in thousands of dollars)

	1982	1981
Operating revenues		
Public services	156,282	122,773
Other services	7,147	7,467
Share of INTELSAT net revenues	6,733	5,372
	170,162	135,612
Operating expenses		
Salaries and fringe benefits	42,564	36,537
Rental of circuits	17,572	14,860
Maintenance	2,656	1,681
Depreciation and amortization	21,134	19,914
Other expenses	24,173	20,935
	108,099	93,927
Estimated amount recoverable from Commonwealth Telecommunications Organisation Partners (Note 5)	5,991	16,544
	102,108	77,383
Operating income	68,054	58,229
Other income (Note 8)	23,664	14,850
	91,718	73,079
Financial charges (Note 9)	1,618	1,274
Income before income tax	90,100	71,805
Income tax (Note 7)	43,027	35,185
Net income	47,073	36,620

RETAINED EARNINGS
YEAR ENDED MARCH 31
(in thousands of dollars)

	1982	1981
Balance, beginning of year	199,626	170,206
Net income	47,073	36,620
	246,699	206,826
Amount remitted to the Government of Canada	7,400	7,200
Balance, end of year	239,299	199,626

CHANGES IN FINANCIAL POSITION
YEAR ENDED MARCH 31
(in thousands of dollars)

	1982	1981
Source of funds		
Operations		
Net income	47,073	36,620
Items not affecting working capital		
Depreciation and amortization	21,134	19,914
Deferred income tax	4,204	2,562
Allowance for funds used during construction	(3,644)	(1,787)
	68,767	57,309
Proceeds from disposal of fixed assets	1,397	3,518
Long-term debt	6,302	
	76,466	60,827
Application of funds		
Acquisition of fixed assets	41,713	32.843
Deferred charges	848	
Reduction of long-term debt	3,170	3,007
Decrease (increase) in other deferred credits	(21)	111
Amount remitted to the Government of Canada	7,400	7,200
	53,110	43,161
Increase in working capital	23,356	17,666
Working capital, beginning of year	57,469	39,803
Working capital, end of year	80,825	57,469

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1982

1. Nature of activities

Teleglobe Canada, created by the Teleglobe Canada Act, is mandated to establish, maintain and operate Canada's international telecommunications services and to coordinate these services with those of other countries.

2. Significant accounting policies

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The Corporation follows the significant accounting policies summarized below.

(a) Fixed assets

Fixed assets are stated at acquisition cost, which includes salaries, wages, fringe benefits and certain overhead costs related to construction activities. In addition, for major capital projects, an allowance for funds used during construction is included.

Fixed assets owned jointly are accounted for proportionally to the Corporation's share.

From time to time the Corporation acquires indefeasible rights of user for international telecommunications circuits that extend over specific time periods. Moreover, Teleglobe Canada may grant such rights on circuits owned by the Corporation, or grant such rights that have been previously acquired. The amounts paid or received according to the terms of these transactions are recorded as Fixed Assets and depreciated over the duration of each agreement.

TELEGLOBE CANADA—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1982—*Continued*

The Corporation has been designated by the Government of Canada to be the Canadian signatory to the International Telecommunications Satellite Organization (INTELSAT). Periodically, each signatory's ownership share is adjusted to conform to its percentage of total use of the system. Teleglobe's ownership share is reported in Fixed Assets and depreciated in accordance with the Corporation's fixed assets depreciation policy.

(b) Allowance for funds used during construction

The rate applied in determining the allowance for funds used during construction of major capital projects is based principally on the interest rate established by the Minister of Finance for mid-term Government loans to Crown corporations. This allowance is treated as an item of income during the construction period of these facilities. Such income is not realized immediately but will be realized over the service life of the facilities.

(c) Depreciation of fixed assets

Fixed assets are depreciated over their respective estimated service lives, using the straight-line method.
When depreciable assets are taken out of service, their net book value, less salvage, is charged to Depreciation.
When other assets are taken out of service, any resulting profit or loss is reflected in current earnings.
In the event of a satellite launch failure or breakdown of an orbiting satellite, the costs are depreciated over the life of the group of satellites.

(d) Commonwealth Telecommunications Organisation (CTO)

The Corporation is the designated Canadian participant in the CTO, the purposes of which are to promote the development and efficient operation of the Commonwealth external telecommunication system and to provide for the administration of collaborative financial arrangements. The Financial Agreement provides that aggregate expenses incurred by all Partners in the provision and operation of the global system are apportioned to Partners based on the use they make of each facility. Use of the system is measured in terms of number of units of traffic carried over each facility.
Final allocations are effected on the basis of audited data submitted by each Partner. However, provisional settlements are made between Partners during each financial year on the basis of estimated traffic volumes and system costs. Since all of the final data is not available to the Corporation at the end of its financial year, Teleglobe Canada records estimated recoverable costs in respect of the current financial year and adjusts the estimates in respect of the previous years when additional information becomes available and at the time final settlements are made.

(e) Operating revenues

Operating revenues from public services rendered through the Corporation's telecommunications network (telephone, telex and telegraph) represent the Corporation's portion of amounts billed to domestic and foreign subscribers by domestic carriers and foreign administrations. Estimates are included to provide for that part of revenues for which connecting carriers and administrations have yet to report to the Corporation.
Revenues from other services are derived primarily from leasing circuits owned or leased by the Corporation to other administrations and private users.

The share of INTELSAT net revenues represents the Corporation's share of the international satellite telecommunications system revenues, less its share of operating expenses excluding depreciation.

(f) Foreign exchange

Assets and liabilities as well as revenues and expenses from transactions conducted in foreign currencies are converted into Canadian dollars at the average exchange rate for the month in which the transaction occurred. At the end of the financial year, recorded balances representing cash and amounts expressed in foreign currencies are adjusted to reflect the exchange rate prevailing at the date of the balance sheet. Currency gains and losses are reflected in current earnings.

(g) Pension plan

All employees of the Corporation are covered by a pension plan administered by the Government of Canada. These employees and the Corporation are required to contribute to the cost of the plan for current services. These contributions represent the total liability of the Corporation in this matter and are recognized in its accounts on a current basis.

(h) Retirement benefits

A benefit equivalent to one half of accumulated unused sick leave days up to March 31, 1981, with an additional credit of five days for every year of service after that date, calculated at the salary level in effect at the time of retirement, is payable to employees upon retirement. The cost of the benefit is expensed in the year in which it is earned by employees.

3. Fixed assets

(a) The main classes of fixed assets are as follows:

	1982			1981
	(in thousands of dollars)			
	Cost	Accumulated depreciation	Net	Net
Land	4,798		4,798	3,478
Buildings and leasehold improvements	29,119	9,867	19,252	15,647
Furnishings	5,777	1,953	3,824	3,114
Cable systems	82,230	52,079	30,151	33,158
Terminal, transmission and switching equipment	139,744	65,250	74,494	56,253
International satellite system space segment (INTELSAT)	23,008	13,538	9,470	9,429
Other plant and equipment	20,447	11,597	8,850	7,992
Construction in progress	46,832		46,832	45,490
	351,955	154,284	197,671	174,561

TELEGLOBE CANADA—*Continued*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1982—*Continued*

(b) The estimated service lives for the main classes of fixed assets for purposes of depreciation are as follows:

	Number of years
Buildings	13 to 40
Leasehold improvements	over the term of the lease
Furnishings	8 to 10
Cable systems	20 to 25
Terminal, transmission, and switching equipment	3 to 20
International satellite system space segment (INTELSAT)	6 to 12
Other plant and equipment	5 to 25

(c) The depreciated cost of fixed assets owned outright by the Corporation or owned jointly with other telecommunications entities is as follows:

	1982	1981
	(in thousands of dollars)	
Owned outright	125,493	113,679
Owned jointly (Corporation's share)	72,178	60,882
	197,671	174,561

(d) As at March 31, 1982 construction in progress includes an amount of $16,248,000 ($14,294,000 as at March 31, 1981) for the international satellite system space segment (INTELSAT).

(e) As at March 31, 1982 the Corporation's ownership share in INTELSAT is 2.490316 percent (2.873088 percent as at March 31, 1981).

4. Deferred charges

Deferred charges include:

	1982	1981
	(in thousands of dollars)	
Unamortized financial commitment charges related to the ANZCAN project	1,448	
Unamortized interconnection costs of the Laurentides earth station	615	899
	2,063	899
Less: current portion included in prepaid expenses	884	284
	1,179	615

5. Commonwealth Telecommunications Organisation (CTO) financial arrangements

(a) Final settlements of partnership accounts

As at March 31, 1982 governments of 26 Commonwealth countries are signatories to the CTO Financial Agreement, 1973, which commenced April 1, 1973.

During the year ended March 31, 1982, the Corporation submitted its audited data on incurred costs and traffic volumes for the financial year ended March 31, 1980. However, because some Partners were late in submitting their audited data, partnership accounts have only been finalized up to March 31, 1976.

(b) Estimated amount due to CTO Partners

As at March 31, 1982 the Corporation had recorded the sum of $75,396,000 as provisional settlements for the years since March 31, 1976. Of this amount, the Corporation estimates that it may have to remit the sum of $13,147,000 upon final settlement. These amounts are broken down by financial year as follows:

Year ended March 31	Provisional settlement	Estimated amount recoverable	Estimated amount due
	(in thousands of dollars)		
1977	9,049	8,549	500
1978	16,285	11,911	4,374
1979	16,823	12,307	4,516
1980	13,915	12,396	1,519
1981	11,569	10,106	1,463
1982	7,755	6,980	775
	75,396	62,249	13,147

(c) Estimated amount recoverable from CTO Partners

The estimated amount recoverable from CTO Partners reflected in the Corporation's current earnings comprises the following:

	1982	1981
	(in thousands of dollars)	
Adjustment of the estimated amount due to Partners for which accounts:		
have been finalized	(416)	3,107
have not been finalized	(573)	3,030
Estimated amount recoverable for the year	6,980	10,407
	5,991	16,544

6. Long-term debt

Long-term debt comprises:

Loans from the Government of Canada bearing interest at rates ranging from 3½ percent to 6¾ percent with the following maturities:

	1982
	(in thousands of dollars)
1982-83	3,170
1983-84	3,342
1984-85	1,297
1985-86	1,362
1986-87	1,189
1987-98	2,027
	12,387
Installments due within one year	3,170
	9,217
Amount due to the ANZCAN project contractors. The installments cannot be determined before the end of construction estimated to be in June 1983 and November 1984 (Note 10)	6,302
	15,519

TELEGLOBE CANADA—*Concluded*

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1982—*Concluded*

7. Income tax

As a federal Crown corporation, Teleglobe Canada is not subject to provincial income taxes.

Deferred income tax results principally from timing differences between depreciation and amortization for accounting purposes and that claimed for tax purposes.

Income tax expense comprises:

	1982	1981
	(in thousands of dollars)	
Current	38,823	32,623
Deferred	4,204	2,562
	43,027	35,185

8. Other income

	1982	1981
	(in thousands of dollars)	
Allowance for funds used during construction	3,644	1,787
Interest on temporary investments	18,121	11,684
Other interest	1,197	1,530
Profit (loss) on foreign exchange	291	(151)
Profit on disposal of temporary investments	411	
	23,664	14,850

9. Financial charges

	1982	1981
	(in thousands of dollars)	
Interest on long-term debt	736	890
Amortization of financial charges of the ANZCAN project	301	
Other interest	581	384
	1,618	1,274

10. Commitments

(a) Construction in progress

As at March 31, 1982 the estimated cost of completing construction projects, planned and in progress, amounts to approximately $437,893,000, of which $149,415,000 relates to the year ending March 31, 1983. Contractual commitments outstanding as at March 31, 1982 amount to approximately $85,587,000.

Contractual commitments as at March 31, 1982 include 24,939,000 pounds sterling and $586,000 (US), equivalent to $56,027,000 (CAN). These commitments represent the Corporation's share in a joint project undertaken with other administrations to construct ANZCAN, a submarine cable linking Canada, Hawaii, Fiji, Australia and New Zealand. The Corporation concluded agreements with the two project contractors, whereby the contractors will receive part of the Corporation's share of the payments in installments based on work completed. The balance will be paid in 17 semi-annual installments at an interest rate of 8 ¾ percent, once construction ends. According to the terms of one of the agreements, the Corporation will assure payments to the contractor by issuing bills of exchange drawn on a British bank.

(b) Long-term leases

The Corporation is a party to long-term leases for property and facilities used in the course of its activities. The aggregate minimum annual rentals which will be paid in subsequent years are:

	1982
	(in thousands of dollars)
1982-83	13,209
1983-84	13,702
1984-85	9,139
1985-86	8,406
1986-87	3,276
1987-91	9,823

Rental expenses for property and facilities for the year ended March 31, 1982 are $11,123,000 ($10,051,000 in 1981)

(c) Agreement with the Department of Transport

Under the terms of an agreement between the Corporation and the Department of Transport, the Corporation charters the cableship/icebreaker C.C.G.S. John Cabot on a cost reimbursement basis for periods of actual usage. This agreement is cancellable on 12 months notice. The Corporation incurred a cost of $6,965,000 during the 1982 financial year (1,977,000 in 1981), under this agreement.

(d) INTELSAT commitments

As at March 31, 1982 the Corporation's share of INTELSAT's outstanding commitments is approximately $23,067,000 based on INTELSAT's audited financial statements as at December 31, 1981.

11. Contingencies

(a) Retirement compensation benefits

Prior to November 1, 1974 the Corporation provided for a post-retirement life insurance plan for its retired employees. As at that date the plan was replaced by a retirement compensation benefit for all employees on staff at the time. The cost of this benefit is recognized in the accounts in the year in which payments are made. As at March 31, 1982 the maximum liability of the Corporation under this plan, should all entitled employees retire while in the service of the Corporation, amounts to $1,965,500 ($2,042,000 as at March 31, 1981).

(b) Estimated amount due to CTO Partners

As described in Note 5, the accounts of the partners in respect of the Commonwealth Telecommunications Organisation Financial Agreement have been finalized only to March 31, 1976. For those years in respect of which accounts have not been finalized, the Corporation has provided in its liabilities for the excess of provisional settlements received over the estimated recoverable amounts. However, the information is not sufficient for an assessment of the probable results of the final settlements of accounts for those years.

URANIUM CANADA, LIMITED

(Continued under the Canada Business Corporations Act)

AUDITOR'S REPORT

THE HONOURABLE MARC LALONDE, P.C., Q.C., M.P.
MINISTER OF ENERGY, MINES AND RESOURCES

I have examined the balance sheet of Uranium Canada, Limited as at December 31, 1981 and the statement of operations of accounts administered for Canada for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1981 and the results of the operations administered by the Corporation for the account of Canada for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

I further report that, in my opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and the transactions that have come under my notice have been within its statutory powers.

KENNETH M. DYE
Auditor General of Canada

Ottawa, Ontario
June 24, 1982

BALANCE SHEET AS AT DECEMBER 31, 1981

ASSETS	1981	1980	LIABILITIES	1981	1980
	$	$		$	$
Cash	9	9	Due to Canada on account of assets administered (Note 3)		94,187,720
Assets administered for Canada (Note 2)		94,187,720	EQUITY OF CANADA		
			Capital stock		
			Authorized and issued		
			1,000 shares of no par value	9	9
	9	94,187,729		9	94,187,729

Approved by Board:

G. M. MacNABB
Director

A. S. RUBINOFF
Director

URANIUM CANADA, LIMITED—*Concluded*

STATEMENT OF OPERATIONS OF ACCOUNTS ADMINISTERED FOR CANADA FOR THE YEAR ENDED DECEMBER 31, 1981

	1981	1980
	$	$
Revenues		
Interest	2,131,267	14,210,326
Price and quantity adjustments on prior years' sales		(106,827)
Loss on foreign exchange		(11,548)
	2,131,267	14,091,951
Expenses		
Selling expenses		106,334
Adjustment to prior years' cost of uranium concentrates sold		(25,602)
		80,732
Excess of revenues over expenses, accruing to Canada	2,131,267	14,011,219

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1981

1. Objective of the Corporation

The objective of the Corporation is to negotiate, execute and perform agreements for the purchase, stockpiling and sale of uranium concentrates and to do or procure the doing of anything necessary or incidental thereto, all subject to the approval of the Governor in Council.

2. Assets administered for Canada

Prior to 1981, the Corporation administered, sold and loaned, as Canada's agent, the Government of Canada's general stockpile of uranium concentrates acquired by Canada during the period 1963 to 1970. All monies and benefits generated from sales or loans of uranium concentrates from the stockpile accrued to Canada after allowing for applicable expenses.

Vote L107c, Appropriation Act No. 4, 1980-81, passed by Parliament on March 25, 1981, authorized the transfer by the Minister of Energy, Mines and Resources to Eldorado Nuclear Limited of the title in the uranium stockpile, including any outstanding obligations under the loan agreement between the Corporation and Eldor Resources Limited and any interest accrued under such agreement. As beneficial ownership of these assets had always been retained by Canada, the 1981 transfer from the Corporation to Canada did not involve any exchange of consideration.

The carrying value of the assets transferred was as follows:

As at December 31, 1980	$
General stockpile of uranium concentrates	68,165,391
Loan of uranium receivable	7,874,363
Interest receivable	18,147,966
	94,187,720
Add: accrued interest on loan January 1, 1981 to March 31, 1981	2,131,267
	96,318,987

3. Due to Canada on account of assets administered

	1981	1980
	$	$
Balance, beginning of the year	94,187,720	85,793,800
Add: excess of revenues over expenses, accruing to Canada	2,131,267	14,011,219
	96,318,987	99,805,019
Deduct: transfer of assets to Canada (Note 2)	96,318,987	
payments to Canada		5,617,299
Balance, end of the year		94,187,720

4. Services provided without charge

Administrative services are provided to the Corporation without charge by the Department of Energy, Mines and Resources and are not recorded in these financial statements.

5. Combines investigation

The Corporation, together with five other companies, has been charged under Section 32(1)(c) of the Combines Investigation Act that it did conspire, combine, agree or arrange to prevent or lessen, unduly, competition in the production, manufacture, purchase, sale or supply in Canada of uranium, uranium oxide and other uranium substances between September 1, 1970 and April 1, 1978. The Supreme Court of Ontario issued an Order on April 23, 1982, prohibiting the Provincial Court from proceeding with the inquiry into the charge made against the Corporation. An Appeal has been lodged in the Court of Appeal by the Attorney General of Canada.

VIA RAIL CANADA INC.

AUDITORS' REPORT

TO THE HONOURABLE
THE MINISTER OF TRANSPORT

We have examined the statements of income and retained earnings and changes in financial position of VIA Rail Canada Inc. for the year ended December 31, 1981 and its balance sheet at that date. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these financial statements are properly drawn up so as to give a true and fair view of the state of affairs of the Corporation as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We further report that, in our opinion, proper books of account have been kept by the Corporation, the financial statements are in agreement therewith and the transactions that have come under our notice have been within the powers of the Corporation.

SAMSON BÉLAIR
Chartered Accountants

Montreal, Canada
February 26, 1982

BALANCE SHEET AS AT DECEMBER 31
(in thousands of dollars)

ASSETS	1981	1980
Current assets		
Cash	1,931	146
Short-term securities	54,958	
Accounts receivable	8,713	2,627
Due from the Government of Canada	13,982	16,414
Progress payment		25,000
Materials and supplies, at cost	1,278	1,189
	80,862	45,376
Long-term assets		
Property and equipment (Note 3)	278,891	191,684
Deferred charges	13,351	11,513
	292,242	203,197
	373,104	248,573

LIABILITIES	1981	1980
Current liabilities		
Bank indebtedness		15,352
Accounts payable and accrued liabilities	69,576	31,483
Advance ticket sales	2,439	2,879
Current portion of long-term debt	8,700	8,670
	80,715	58,384
Long-term liabilities		
Long-term debt (Note 4)	10,984	19,509
Deferred income taxes	2,142	1,161
	13,126	20,670
SHAREHOLDER'S EQUITY		
Share capital		
Issued 93,000 common shares	9,300	9,300
Contributed surplus (Note 5)	267,520	158,950
Retained earnings	2,443	1,269
	279,263	169,519
	373,104	248,573

Signed on behalf of the Board:

LORNE R. BOLTON
Director and Chairman of the Audit Committee

WELLAND WOODRUFF
Director and Chairman of the Finance Committee

VIA RAIL CANADA INC.—*Continued*

STATEMENT OF INCOME AND RETAINED EARNINGS
YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1981	1980
Revenue		
Passenger	160,841	136,704
Contract (Note 1(a))	399,820	331,247
	560,661	467,951
Expenses		
Employee compensation and benefits	103,103	88,122
General and administrative	38,334	28,269
Railway operating (Note 1(b))	397,217	339,157
Depreciation and amortization	13,925	8,104
Loss on retirement of assets (Note 6)	6,622	
	559,201	463,652
Operating Income	1,460	4,299
Net Financial Income (Charges)		
Interest income	3,114	420
Interest expenses on long-term debt	(2,419)	(3,296)
	695	(2,876)
Income before Income Taxes	2,155	1,423
Deferred income taxes	981	678
Net income	1,174	745
Retained earnings		
Balance at beginning of year	1,269	524
Balance at end of year	2,443	1,269

STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31
(in thousands of dollars)

	1981	1980
Source of Funds		
Operations		
Net income for the year	1,174	745
Items not affecting current funds		
Depreciation and amortization	13,925	8,104
Deferred income taxes	981	678
Loss on retirement of assets	6,622	
Funds provided from operations	22,702	9,527
Capital advances from the Government of Canada	108,570	94,563
	131,272	104,090
Application of Funds		
Repayment of long-term debt	8,670	8,670
Acquisition of property and equipment	105,618	88,185
Deferred charges	3,829	2,053
	118,117	98,908
Increase in working capital	13,155	5,182
Working capital (deficiency) at beginning of year	(13,008)	(18,190)
Working capital (deficiency) at end of year	147	(13,008)

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1981

1. Operating agreements

(a) Railway Passenger Service Contract

The Corporation has entered into an agreement with the Government of Canada whereby the Corporation is to provide services, activities and undertakings relating to the provision, management and operation of railway passenger service in Canada.

The agreement also provides that the Minister of Transport and the Corporation shall enter into Subsidiary Service Request Agreements with respect to specified intercity rail passenger services.

(b) Canadian National Railway Company and Canadian Pacific Limited

The Corporation has entered into operating agreements with the railways for the use of tracks, facilities, train personnel and rolling stock servicing. Agreements have also been entered into for the refurbishing of passenger cars and locomotives.

2. Summary of Significant Accounting Policies

(a) Revenue Recognition

Passenger revenue is recognized when earned. Contract revenue is recognized when realized and when it is capable of being estimated.

(b) Adjustment of Operating and Refurbishing Costs

Charges from the contracting railways in respect to the operating and refurbishing agreements are recorded on an incurred and estimated basis.

The charges are subject to adjustment by the Canadian Transport Commission following a review of the actual costs incurred each year by the parties concerned.

(c) Property and Equipment

Property and equipment includes the capitalization of the initial costs of refurbishing and rebuilding of rolling stock and locomotives not previously owned and which is designed to improve the standards required and to extend the useful lives of the assets concerned.

The costs of assets retired or disposed of, less salvage, is charged to accumulated depreciation in accordance with the group method of depreciation unless a significant block of assets is retired or disposed of which then requires adjustment to current year's operations.

(d) Depreciation

Depreciation of passenger cars and locomotives is calculated on a straight-line basis in accordance with the group method at rates designed to write them off over their estimated useful lives.

Office furniture and equipment is depreciated on a straight-line basis over a ten-year period.

Leasehold and infrastructure improvements are amortized over the terms of the leases or with reference to the estimated useful life, as appropriate.

No depreciation is provided for projects in progress.

(e) Capitalized Interest on Progress Payments for Purchase of Equipment

Interest on advances for the purchase of equipment is capitalized at rates reflecting the cost of capital funds.

VIA RAIL CANADA INC.—*Concluded*

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1981—*Concluded*

(f) Deferred Charges

Deferred charges primarily consist of the costs incurred for the development of an automated reservation and ticketing system which are amortized over a period of seven years.

(g) Income Taxes

The tax allocation basis of accounting for income taxes is followed whereby tax provisions are based on accounting income and taxes relating to timing differences between accounting and taxable income are deferred.

3. Property and Equipment

	1981	1980
	(in thousands of dollars)	
Passenger cars and locomotives	187,158	143,968
Stations	4,176	1,330
Office furniture and equipment	2,255	1,908
Leasehold and infrastructure improvements	11,934	8,926
	205,523	156,132
Accumulated depreciation and amortization	24,854	15,312
	180,669	140,820
Progress payments for purchase of equipment	98,222	50,864
	278,891	191,684

Property and Equipment is depreciated as follows:

Passenger cars and locomotives	1-17 years
Stations	5 years
Office furniture and equipment	10 years
Leasehold and infrastructure improvements	10-38 years

4. Long-term Debt

The long-term debt consists of the balance of purchase price due to Canadian National Railway Company for equipment acquired, with interest at 10%, repayable in monthly instalments of $725,000 to and including April 1, 1984. Title to the equipment purchased remains with the vendor until full payment has been made.

5. Contributed Surplus

Contributed surplus represents advances received from the Government of Canada for capital expenditures.

6. Loss on Retirement of Assets

As a result of the service cuts ordered by the Government of Canada effective November 15, 1981, certain surplus rolling stock was retired. The Corporation has obtained authorization from both the Canadian Transport Commission and the Government of Canada to treat the retirement as a transaction affecting current operations as opposed to a reduction of accumulated depreciation. The loss represents the undepreciated value of the assets retired net of salvage value.

7. Pension Plan

A condition precedent to the establishment of the Corporation was that those employees engaged by the Corporation previously employed by either Canadian National Rail Company or Canadian Pacific Limited would be fully protected insofar as their pension benefits accrued under the Pension Plans of their former employers. During 1980, agreement was reached with the Railways and funds were transferred to the Corporation's Pension Plan which was established from January 1st, 1979. An actuarial valuation of the pension plan as at December 31, 1981 is presently in process. For 1981, contributions to the plan in respect of current service and anticipated unfunded liability in respect of past service amounted to $6,632,000 (1980—$6,463,000).

8. Related Party Transactions

VIA Rail Canada Inc., is a Crown Corporation with all of the issued shares owned by the Government of Canada.

In the normal course of business, the Corporation contracted for services from other Crown Corporations which in 1981 amounted to $313,333,000 (1980—$281,765,000).

9. Commitments

As at December 31, 1981 the Corporation has outstanding commitments for the purchase of fixed assets and infrastructure improvements amounting to approximately $5,500,000.

10. Leases

The Corporation has certain lease commitments for the rental of buildings, equipment and computer services with aggregate net rentals of approximately $7,800,000 per annum expiring at various dates to 1989.

11. Reclassification

Certain restatements have been made to prior year's figures for purposes of comparison.

12. Comparative Figures

The prior year's figures were audited by another firm of Chartered Accountants.